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WORLD AGRICULTURAL Situation



THE WORLD AGRICULTURAL SITUATION

CONTENTS

	Page
Summary	3
World Weather	4
Regional Agricultural Developments	
United States	6
Other Developed Countries	7
USSR	8
Eastern Europe	9
People's Republic of China	11
Asia	12
Latin America	13
Africa and West Asia	15
World Economic Recovery in Sight	16
World Price Developments	18
U.S. Agricultural Trade	21
Trade and Food Policy Developments	
Trade Preferences	24
Multilateral Trade Negotiations	24
Grain Reserves	24
Agricultural Development Assistance	24
World Grain Supplies Remain Tight	25
Good Rice Crop in Prospect	35
Oilseeds in Plentiful Supply	36
Cattle Slaughter Increasing	39
Milk Output Up Slightly	41
Sugar: An Uncertain Market	41
World Cotton Consumption Increases	43

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The *World Agricultural Situation* is published in June, September, and December. Agricultural situation reports for the world's major regions are published during March-May.

SUMMARY

The world agricultural outlook continues to be more favorable than a year ago, although reductions in the estimates for the USSR, European, and U.S. grain crops since midsummer indicate tighter food supplies than thought earlier. A modest increase in world food production now seems in prospect.

Food supply prospects in the developing countries are much better than a year ago, particularly in Asia where good monsoon rainfall is contributing to record grain crops in India. China is looking to record harvests for the year. Despite record plantings of grains, oilseeds, and other food crops in Latin America, growth in agricultural output will be restricted by adverse weather which reduced yields. Except for below-average grain production in parts of North Africa, agricultural prospects are generally bright in most of Africa and West Asia.

In the developed countries, West and East European grain production was cut by adverse weather earlier in the year, and continuing hot, dry weather brought successive reductions in Soviet grain production estimates. The resulting increased demand for food imports is being met largely from the U.S. food and feed grain harvests which are still expected to reach all-time high.

World grain crops—no longer expected to reach record highs—are still likely to be well above last year's output, although below the 1960/61-74/75 trend. The deterioration in world wheat and coarse grain crop prospects since early summer has been concentrated in the countries which feed large amounts of grain to livestock. Prospects for the world rice harvest, much of which takes place late in the year, continue to improve, with indications of a crop above both last year's level and trend.

The production shortfalls in many of the major grain feeding countries—particularly the USSR and Western and Eastern Europe—are forcing adjustments in the form of stock drawdowns, reduced feeding, or increased imports. The hoped-for increase in world grain stocks—which were somewhere near minimum levels at the beginning of 1975/76—has been frustrated by those shortfalls and smaller-than-expected availabilities in the United States. Thus,

Note: Unless stated otherwise, split years (e.g., 1974/75) mean July/June. Fiscal 1975 means July 1974/June 1975. Tons are metric and dollars are U.S. unless otherwise specified.

global grain stocks at the close of 1975/76 are not likely to be much larger than at the beginning of the period.

The reduced demand for livestock and dairy products resulting from slack economic activity around the world has dampened the demand for oilseed meal, so that oilseed stocks have built up and prices softened despite a smaller oilseed crop in 1974 than in 1973. The 1975 oilseed crop is forecast to be larger, and utilization in 1976 could be up if, as predicted, economic growth picks up next year in the developed countries and leads to more feeding of hogs and poultry.

Stocks of nonfat dry milk are building in the major dairy producing countries, particularly in the European Community where production is up, exports and animal feeding are down, and intervention stocks are increasing rapidly.

Preliminary sugar production estimates indicate total world production above last year and in line with the 1959/60-73/74 trend, but recent reports of weather damage warrant some caution.

Cotton consumption is expected to exceed production in 1975/76 for the first time since 1970/71 as excess stocks are worked off, based on an anticipated resurgence of world demand.

The world economy appears poised for recovery in late 1975. The economies of the principal developed countries have either begun expanding or have halted the sharp decline in business activity. Most countries are looking to the United States, Japan, and West Germany to act as pacesetters, hoping that this will stimulate the demand for imports by those three countries.

U.S. agricultural exports in fiscal 1976 are forecast to about equal the record \$21.6 billion in fiscal 1975. The demand for U.S. agricultural exports has been maintained primarily by production shortfalls in other parts of the world. The slow pace of economic activity in much of the world has dampened demand in the last half of the 1974/75 marketing year. A resumption of faster economic growth in the developed countries would help to bolster overseas markets for U.S. farm products in the coming year.

WORLD WEATHER¹

Unusually hot and dry summer weather in much of Western Europe caused a downturn in crop production. Drought in many agricultural areas of the USSR and a severe freeze in Brazil in mid-July damaged crops there. Late summer rains considerably improved Australia's wheat prospects for 1975/76 after a poor start due to drought.

North America

Weather in the United States during May and early June 1975 was mostly suitable for agriculture and planting proceeded well. Heavy rains caused problems in many places, especially in the Red River Valley of the northern U.S., where crops were damaged by flooding. However, in the Corn Belt, hot, dry July weather cut back on corn and forage crop prospects and caused some stress to soybeans. In August, good rains brought relief.

Canada's Maritime and Prairie Provinces suffered from hot, dry conditions during July, but rain in late July and early August stopped further deterioration in the production outlook.

Parts of the Caribbean and Central America received rain, easing drought conditions somewhat. Honduras, Nicaragua, and Guatemala, were

particularly hard hit by drought, with corn crops and pasture conditions adversely affected. Portions of Mexico got needed rainfall in late July and early August.

Western Europe

Summer weather in Western Europe was mixed. Unusually cool temperatures and sparse rainfall prevailed in Ireland, the United Kingdom, and the North Sea region through mid-July, slowing down growth and development of spring sown grains, root crops, and grasses. Rains in mid-July brought some relief to the North Sea region. In contrast to dry conditions in the north, Austria and the southern part of West Germany had unusually heavy rainfall. Weather in Italy and other south European countries through July was generally favorable for crop production.

During July and August, record high temperatures and drought extended throughout most of Western Europe, causing some deterioration of crops. Rainfall during the latter part of August relieved some of the dry conditions. Early seeded grains were not significantly affected, but corn, potatoes, forage crops, and late seeded small grain crops did suffer losses.

Eastern Europe

Romania suffered from some serious flooding in late June and early July, and some production losses were reported in Yugoslavia, Hungary, and Western

¹A summary of significant conditions that have been reported since the publication of WAS-7, World Agricultural Situation, June 1975. More detailed information on world weather appears in the third or fourth week of each month in the Weekly Weather and Crop Bulletin published jointly by the U.S. Departments of Agriculture and Commerce.

Slovakia. In contrast, severe dry conditions in the northern part of East Germany and Poland reduced the yields of most crops. Increased shower activity in mid-August brought some relief to crops there.

USSR

Limited moisture supplies adversely affected crop yields and pasture growth during much of the 1975 growing season over important agricultural areas in both European and Asiatic (east of the Ural Mountains) USSR. Below normal precipitation was frequently accompanied by hotter-than-normal temperatures during most of April-July. The Volga Region, the southern part of the Urals Regions, and the western half of northern Kazakhstan had the most serious moisture problems. Adjacent regions had moderate moisture problems. Timely rains apparently were sufficient to sustain the small grain crops over most of European USSR & west of the Volga region? and rainfall this season in Western Siberia and parts of Kazakhstan was sufficient to maintain moisture supplies at about normal levels.

Precipitation since late July has been relatively good over most Soviet agricultural areas. Rainfall was particularly good during late July and mid-August. These rains have been beneficial to late crops such as sugarbeets, corn, and potatoes and have improved conditions for fall seeding and plowing. However, soil moisture supplies continued well below average for the first of September over most of the important winter wheat areas.

Asia-Oceania

Weather conditions in Asia since June 1975 have been generally satisfactory. The summer monsoons began on time in late June and performed well, especially in India, where most of the country received normal or above normal precipitation. During July and August, monsoon rains continued, causing some flooding in eastern India and Bangladesh. The prospects for summer crops in India, Pakistan, Bangladesh and most of southeast Asia looked good as of early September.

China's weather through July was satisfactory, with the summer monsoon relieving dry conditions in

the north and northeast part of the country in June. Heavy rainfall during late July and early August caused some flooding in North, Central and East China, but appeared to have had minimal effects on crops.

Australia's southern wheat belt experienced persistent drought during late May and early June, thus delaying the planting of "winter" crops, mainly wheat. During June, the dry conditions were eased a bit, but some critically dry areas remained. Weather conditions then went from one extreme to the other, as parts of Australia received abnormally heavy rains at the end of June and beginning of July which prevented seeding. As a result, crop prospects deteriorated. During August, substantial rains in the wheat areas, especially the dry southeast interior, improved crop prospects.

South America

Rain in Argentina during May and early June interfered with harvesting of "fall" harvested crops and caused heavy crop losses. Brazil received more reasonable amounts of precipitation, and rainfall in Columbia eased the dry conditions there. During July, Argentina and Brazil were relatively dry except for torrential rains in northern Brazil, where flooding hurt crops. Then in mid-July, Brazil suffered a freeze which had a severe impact on its crops, especially coffee, wheat, and sugarcane. In August and early September, southern Brazil, Uruguay, and northern Argentina received substantial rainfall, with areas in central Brazil and the wheat region of Argentina remaining dry.

Africa

During May and early June, much of West Africa had above normal rainfall, which got the "wet" season off to a good start, although Chad and neighboring areas were dry. Kenya and Tanzania were wetter than usual. Sub-Saharan West Africa got good rains in June. Ethiopia, which had been plagued by drought, received rainfall in July. For the most part, rains were adequate in Africa's "summer wet" countries, especially in West Africa. (Kathryn Kayser)

United States

Developments in agriculture this summer have materially improved price and income prospects for U.S. agriculture. Although declining prices and a cost-price squeeze on farmers substantially reduced realized net farm income early in the first half of 1975, prospects for the second half continued to improve.

Agricultural Production

This year's wheat crop will slightly exceed 58 million metric tons, nearly 10 million tons above the record crop in 1974.

The record 1975 wheat crop reflects a 4-percent increase in acres seeded and yields around 12 percent above the weather-reduced yields last year. The largest plantings in some 20 years stem from high prices for wheat, prospects for continued strong demand, and no restrictions on plantings. Strong foreign demand likely will push U.S. exports to perhaps 31 to 37 million tons. The lower end of this range would represent a gain large enough to include recent Soviet wheat purchases of 4.2 million tons of wheat. If total exports near the top of the range, wheat prices received by farmers would near \$4.00-a-bushel levels of the past 2 years and the supply-demand situation would remain relatively tight.

Feed grain production this year, based on September 1 conditions, is indicated at 182.5 million tons, up about a fifth from last year. U.S. farmers planted nearly 123 million acres of feed grains this year, about 78 million of which was corn. Yields in 1975 may average 15 to 20 percent above the poor yields of 1974/75. The corn crop is expected to be 144 million tons, a fifth larger than last year's crop.

The 1975 soybean crop is indicated to be about 39 million tons, up from 34 million in 1974. Beginning stocks for 1975/76 could be about 6 million tons, well above amounts carried over in recent years. The recession in overseas markets and increased competition from foreign produced commodities cut soybean exports in 1974/75 to 11 million tons, oil exports to 476,000 tons, and soybean meal exports to nearly 4 million tons. The larger 1975/76 supply, along with prospects for further economic recovery likely will boost exports and increase crushings in the 1975/76 marketing year. U.S. export sales of soybeans may be 13 million tons under conditions of highest demand. Farmers' soybean prices for the 1974/75 marketing year averaged above \$6 per bushel and are expected to hold up well in 1975/76 if export demand is as strong as projected.

Rice is mainly produced in this country for export, and 1975/76 exports may range between 70 and 77 million hundredweight. This would be up slightly from a year ago and approximately 50 percent above the 1973/74 levels.

Cotton production in 1975 is pegged at 9.3 million bales, down from 11.5 million bales in 1974 and 13.0 in 1973. Exports in 1975/76 should be about the same as in 1974/75, but stronger domestic demand and could boost total use.

The livestock outlook dominated by adjustments made more than a year ago. The very short and initially high-priced 1974 feed grain crop resulted in sharp cuts in production of hogs and poultry and reduced placements of cattle on feed. The result was reduced supplies of meat and poultry which contributed to summer price advances in recent months.

Rising prices for livestock have sparked an increase in placements of cattle on feed during the second quarter, an upturn in the hatch of broiler-type chicks, and a prospective increase in supplies of beef and poultry in coming months.

U.S. Farm Income Prospects

Although the cost-price squeeze on farmers substantially reduced realized net farm income early in the first half of 1975, prospects in the second half have improved. Strengthening prices for hogs, poultry, eggs and milk, as well as higher prices and larger marketings for cattle, will bolster livestock receipts in the second half. Crop receipt prospects have improved somewhat as strong foreign and domestic demand, coupled with some deterioration in otherwise bumper crop forecasts, are pushing farmers' prices higher. For 1975 as a whole, a decline in total cash receipts in the face of further increases in production expenses may leave realized net farm income in the mid-\$20 billion range, compared with \$27.7 billion last year.

Rises in Costs Slacken

Price rises for production inputs are expected to slacken. Cutbacks in purchases of some inputs such as fertilizer, farm machinery and feed will probably slow the rise in the total bill for farm production expenses. However, energy costs remain a problem for farmers, and present indications point to higher prices in coming months.

Agriculture and the Economy

The general economy appears to be recovering somewhat. Although leveling in August, the unemployment rate has dropped in recent months. Industrial output is on the rise with inventories being drawn down. All industries except housing are expecting expanded demand. Real disposable incomes appear to be rising.

Retail food prices rose much more slowly in the first half of 1975 after 2 years of rapid increase. The second quarter advance was less than 0.5 percent, the

smallest quarterly rise in nearly 3 years. Increases in June and July reflected big cuts in pork production and reduced supplies of poultry and eggs. July-September food prices will average around 4-5 percent above April-June levels, and for the year prices may be up an average of 9 percent. Per capita consumption of food will be down about ½ percent from last year. Americans will be eating less meat and animal products this year, compared to previous years.

Other Developed Countries

Growth and Inflation Impact on Demand

The economies of most foreign developed countries continue to be characterized by slow or actual declines in growth, high unemployment rates, and climbing inflation—with governments generally pursuing the conflicting aims of trying to move out of recession without stimulating inflation.

In Canada, Australia, and most of Western Europe, an economic turnaround appears to be months away, but recovery should occur in 1976, even though unemployment is not likely to decline until 1977. West Germany's Council of Economic Advisers predicts a drop of 3 percent in this year's GNP, in real terms, but an increase of 6 percent in 1976. There are signs that France may be just beginning to pull out of the recession. In Japan certain economic indicators suggest that the recession is over, but others cloud the prospects of a sharp recovery.

Grain Prospects

Western Europe's grain crop will not be as bountiful as anticipated earlier in the season. Taking into account West Germany's official estimate of grain production on August 29 (21.3 million tons, compared with earlier estimates of 22.3 million tons), total West European grain production will probably be about 134 million metric tons, roughly 8 million tons short of last year's record harvest. The decline in production is largely the result of adverse weather—generally too much rain at planting time and drought later in the season especially in the northern and northwestern regions of Europe. Total West European wheat production should approach 50 million tons—compared with nearly 56 million tons in 1974—and total coarse grain output, based on preliminary estimates of the corn harvest, should be approximately 83 million tons, compared with 84 million tons a year earlier. Declines in wheat production have occurred in both EC and non-EC countries, but coarse grain production, while down in the EC, should be up by about 1 million tons (to 23 million tons) in the non-EC countries, due largely to a record barley harvest in Spain. The shortfall in the total West European grain crop will be offset in part by large carryover stocks.

The EC is expected to follow a rather cautious grain export policy in 1975/76, in order to assure adequate supplies for its members without jeopardizing its position as a supplier in traditional markets. Priority will be given to non-EC West European countries in the allocation of wheat exports.

On August 19 the EC reintroduced export levies for grains. After several adjustments, the levies as of September 5 were as follows (in units of account per metric ton): soft wheat, 12; durum wheat, 12; barley, 15; oats, 5; corn, 12; durum groats and meal, 10. (At par value, 1 unit = \$1.206). According to the EC Commission this action was taken to reflect world market prices of these commodities, which had approached or exceeded the EC threshold prices. Earlier in the year, the EC had subsidized exports of most grains, but as world grain markets strengthened, the export subsidies were gradually eliminated and replaced by export levies. To tighten grain exports, the EC has also reduced the duration of export licenses from 90 to 30 days.

West European and Japanese demand for protein feed should rise this year if anticipated improvements in their livestock sectors occur. Demand for U.S. soybeans should rise in Japan and in both EC and non-EC West European countries.

Canada's official crop forecast indicates this year's wheat crop totaled 16 million tons, up 22 percent from last year. Coarse grain output was up 12 percent. Canada's wheat sales to the Soviet Union during July and August amounted to 3.75 million tons. Total exports of wheat in the 1975/76 marketing year may reach 12 million tons.

Australia's wheat crop (December 1975-February 1976 harvest) is forecast at 10 to 10.5 million tons, down from last year's 11.3 million tons. Australia has sold 1 million tons of wheat to the Soviet Union for delivery between September 1975 and May 1976.

Livestock Developments

In the EC, beef and veal production in 1975 should be approximately the same or slightly ahead of 1974's 6.6 million tons. Market conditions have improved, especially in France, and producer prices have recovered from the low levels of several months ago. In June 1975, cattle numbers in West Germany were down almost 1 percent from a year earlier, with the number of heifers for beef declining by 16 percent.

The EC Commission anticipates that beef production may rise 1 to 2 percent in 1976, but detects a slight tendency for breeding herds to decline. If this tendency persists, according to the Commission, the EC could return to a beef deficit situation by the end of the 1970's, even though the deficit would not be as large as in the early 1970's. Problems of a beef surplus also appear to be easing in Austria. The EC import market for beef and veal remains essentially closed to major world producers except for imports of 50,000

tons of meat or cattle equivalent during June through September, provided that importers ship equal amounts to non-EC markets.

Hog production in France has increased, aided by government programs. The high prices recently obtained for weaned pigs in West Germany and the Benelux countries, together with some optimism among hog fatteners concerning market prospects, could lead to higher EC hog production by the spring of 1976 and the possibility of a pork surplus in 1976/77. EC poultry production was discouraged by low prices in the first half of 1975, but prices have recovered and higher output may result. Proposals for a common EC policy for sheep and mutton have been formulated by the EC Commission and will soon be considered by the decision-making EC Council of Ministers.

The Australian livestock sector faces a serious cost-price squeeze. In the last year production costs have increased by one-third and livestock prices have declined to record lows—down more than two-thirds since early 1974. A Meat Board request for aid to the ailing cattle and beef industries is under consideration by the Australian Government.

Nonfat Dry Milk Supplies Grow

Excessive supplies of nonfat dry milk (NFDM) are again becoming troublesome. NFDM stocks in New Zealand now total approximately 150,000 tons and are growing; a year earlier they were nearly nil. Most of the surplus in Western Europe is in the EC. Total EC intervention stocks of NFDM approached 1 million tons at the end of August and could surpass that amount by the end of 1975. It has become too expensive to feed NFDM to calves, and purchases of NFDM by feeders have declined steadily. The EC has authorized disposal of up to 100,000 tons of NFDM (for use in developing countries), at a quarter of the support price. The EC Commission is advocating the principle that producers bear part of the cost of operating the support program for dairy production. Total EC milk production in 1975 should increase about 1 percent from the 1974 level. Butter output should be up by 3 to 4 percent, with stocks increasing approximately 20,000 tons.

EC Trade Policy Actions

Last June the EC agreed on a common system of controls over imports of processed fruits and vegetables from third countries. Before so-called "sensitive" products can be imported into the EC, an import certificate must be obtained and a security deposit paid. Certificates are to be issued within 5 days from the date of application, unless member states or the European Commission invokes safeguard clauses, because they believe imports would disrupt markets. Import certificates and security deposits are already required for tomato concentrates and certain

other tomato products. These same requirements will go into effect on October 1, 1975 for canned peaches, mushrooms, pears, peas, French beans, and raspberries, and on January 1, 1978 for prunes. A minimum import price has been set for tomato concentrates. National governments will retain control over imports of citrus fruit juices other than grapefruit juice at least until the end of 1977. By then, the EC hopes to have initiated a common policy for these products.

Following the establishment of a common EC system on processed fruits and vegetables and the imposition of tighter controls on imports of wine from third countries, Italy agreed to remove its objection to the full implementation of an EC preferential agreement with Israel, which includes preferential entry into the EC for some of Israel's agricultural products.

The EC measures on imports of processed fruits and vegetables and wine have also opened the way for the resumption of negotiations on EC agricultural concessions to certain Arab Mediterranean countries. Italy and France do not feel that the EC safeguards provide producers of such commodities with adequate protection against lower-priced products from other Mediterranean countries.

Greece has recently applied for full membership in the EC and negotiations are underway. Greece has been an associate of the EC since 1962; the association agreement provided for a customs union between the two by 1984. (Omero Sabatini and Bruce L. Greenshields)

USSR

Soviet agricultural prospects gradually deteriorated during most of the 1975 growing season, particularly for grains. Hot, dry weather prevailed during most of the season over much of the major spring grain region, from the Volga River eastward. Also, soil moisture supplies over much of European USSR were significantly below average this season.

Total grain production in the USSR is forecast as of the first of September at around 175 million metric tons—about 40 million less than this year's production goal and 20 million below 1974 output. The 1975 wheat harvest is estimated at 85 million tons, roughly equal to the 1972 and 1974 crops but smaller than the others in the past 5 years. Coarse grain production is expected to fall roughly 20 million tons short of the 1973 and 1974 crops but will still be the third largest on record.

Soviet 1975 grain area is estimated at 128.5 million hectares, 1.3 million larger than in 1974 but 2.5 million less than ERS estimated earlier in the season. The current area estimate is based primarily upon preliminary area data for 1975 supplied by the Soviets under the 1973 U.S.-U.S.S.R. Agreement on Cooperation in the Field of Agriculture. Most of the area reduction was in rye, with the Soviets reporting

an area 2 million hectares or 20 percent less than ERS had estimated.

USSR gross grain import needs in 1975/76 are now estimated at around 25 million tons based on a Soviet crop of 175 million tons and no major changes in Soviet utilization policy. As of early September, Soviet purchases of approximately 15 million tons of grain had been formally announced, including about 10 million tons from the United States, almost 4 million from Canada, and 1 million from Australia. The relatively poor 1975 Soviet grain crop is also expected to result in some decrease in previously projected levels of utilization, some drawdown in carryover stocks, and some reduction in Soviet grain exports.

A Soviet sunflowerseed crop of slightly more than 6 million tons currently seems likely. This would be down from the 6.76 million tons produced in 1974 and sharply below the 7.4 million planned for 1975. The area planted to sunflowers was slightly larger than in 1974. However, low soil moisture supplies and hot, dry weather over large parts of the sunflower growing areas have adversely affected yields.

A sugarbeet crop close to the 87 million tons produced in 1973 currently seems likely. This would be some 10 to 15 million tons larger than production in other recent years but would still be 7 million tons short of the planned goal for 1975. The area planted to sugarbeets in 1975 was only slightly larger than last year but yields are expected to recover from the low 1974 level. The 1975 crop should yield about 8 to 8.5 million tons of refined sugar, well below the 9.4 million tons planned.

The 1975 Soviet cotton crop is expected to exceed the 8.4 million tons produced in 1974, continuing the upward trend of the past 5 years. According to preliminary data, the area planted to cotton increased slightly to about 3 million hectares. Considerable publicity has been given again this year to shortages of irrigation water in the major cotton growing region of Soviet Central Asia. It apparently is intended to induce cotton farmers to make more efficient use of available water supplies, rather than to signal an endangered crop. Similar widespread publicity concerning water shortages in recent years has been accompanied by record cotton crops.

Despite some expected increase in the availability of cottonseed, prospective lower supplies of sunflowerseed available for crushing from the 1975 crop would result in a drop in total Soviet vegetable oil output in 1975/76 unless oilseed imports were boosted. Vegetable oil exports likely will fall well below the 512,000-ton level of 1974.

Production of livestock products on collective and state farms during January-July 1975 continued to increase over the corresponding months of 1974. The increases for meat and eggs were 7 percent and 9 percent, respectively, but only 2 percent for milk. Milk yields per cow were down slightly. Mutton and goat

meat production increased 16 percent, probably due to increased slaughter because of drought.

The drought is also having a dampening effect on growth in livestock herds. Increases in livestock numbers on collective and state farms during the first 7 months (January-July) of 1975 generally were not as large as those during the corresponding 7 months of 1973 and 1974. The increases for hogs, sheep and goats, and poultry were significantly less this year while gains in cattle numbers were about in line with those of recent years. These herd changes suggest that any increases in livestock numbers during 1975 likely will be smaller than those realized in recent years and that decreases in some categories of livestock are likely. Nevertheless, livestock herds on collective and state farms on August 1, 1975 were larger than on August 1, 1974 except for slightly fewer sheep and goats. (Fletcher Pope, Jr.)

Eastern Europe²

East Europe's terms of trade deteriorated, particularly with the USSR, because the intra-CEMA³ trade price realignment of January 1975 has led to higher-than-average price increases for raw materials. The USSR is the principal supplier to the region of raw materials, including petroleum.

Most of the general economic indicators published for the first half of 1975, however, do not reflect recession. Industrial production growth rates for the first half of the year ranged from 6 percent in Hungary to 14 percent in Romania. Czechoslovakia had the lowest growth of disposable income at 4 percent. Excluding Yugoslavia, retail prices were relatively stable except for gasoline and other fuels. Some price increases in the nonfood sector were canceled out by other price reductions. In all countries, the consumer price index, which includes only products sold on controlled markets, increased less than income. The consumers remained sheltered with the help of state subsidies.

The trouble spots are the negative foreign trade balances and the budget deficits caused by growing subsidies. The solution offered by the respective governments to avert further debt accumulation include thrift in raw material uses, increased labor productivity, reduced imports, and increased exports. But sooner or later, the distorted product allocation resulting from price controls will require drastic readjustment.

Mid year livestock inventory reports point to a slowdown in the rate of increase or to declines in some categories. The increase in cattle population was highest in Bulgaria and Yugoslavia, 6 and 3 percent, respectively. Czechoslovakia reported a slight

²Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, and Yugoslavia.

³Eastern Europe, except Yugoslavia, Mongolia, the USSR, and Cuba.

decline. In Hungary, the number of hogs declined close to 10 percent. In Poland, farmers reduced their private stock, more than offsetting the stock increase in the socialist sector. Bulgaria, East Germany, and Poland report a 4 to 5-percent increase in sheep numbers, reflecting a response to strengthened demand for mutton in the Middle East and for wool on the world market. Poultry numbers declined more than 5 percent in Czechoslovakia and 3 percent in Bulgaria. In Romania, a flood in July destroyed some livestock and poultry.

Production of meat and government purchases of meat from farms were up, but milk and egg production declined in Czechoslovakia, and milk yield per cow declined in the whole region.

Livestock and livestock product trade patterns are following the changed course forced on exporters by EC restrictions. Hungary, the leading exporter of live animals, exported 11,000 tons of live hogs and 44,000 tons of live cattle in the first half of 1975; this about equalled the relatively low level of hog exports during the same period in 1974. Cattle exports declined 10 percent, but Hungary's exports of sheep ran higher than in 1974.

Yugoslavia, the leading beef exporter in the region, while shipping 13,000 tons of beef to Poland only maintained last year's depressed level of total beef exports. Slaughter cattle exports increased from 1,000 to 18,000 head.

Poland exported 26,000 tons of raw meat in the first quarter of 1975—7,000 tons more than in the first quarter of 1974. Exports of ham were also ahead, but bacon and canned meat exports lagged. Exports of butter dropped significantly.

In spite of the increased output of meat, sporadic meat shortages developed in Poland, as incomes increased and prices remained stable. Inadequate market supplies of milk and dairy products were reported in Czechoslovakia, Hungary, and Poland. The general food supply has been worse in Romania, where panic-buying, induced by the flood, caused scarcities of meats, sugar, and vegetable oils. The Romanian government has been pursuing stringent measures against food hoarders.

The remedial measures to fight shortages and bring the economy into equilibrium included some price readjustments. In August, Poland increased producer prices of slaughter hogs 11 percent and milk 14 percent. Also, producer prices for tobacco and retail prices for cigarettes were increased. Increased profits from cigarette sales are expected to partially compensate the government for the producer price increases. Yugoslavia increased producer prices for wheat and soybeans, but by subsidizing the milling industry, bread prices remained unchanged.

Amid serious inflation, Yugoslavia is striving to maintain the living standard. Thus, prices have been reduced for certain items such as meat, flour, edible oil, coffee, and nonalcoholic drinks. On durable

consumer goods, the sales tax has been lowered from 14 to 8 percent. To discourage imports, Yugoslavia increased duties for some goods from 6 percent to 10 percent; for oilseed products, hides and skins, and wool, the duty was hiked from 2 to 5 percent. Besides duties, a special permit for imports is required for a large variety of products, including breeding cattle, powdered milk, oilcake, feed additives, hides and skins, and wool.

Hungary, one of the countries with the most serious financial problems in East Europe, initiated restrictions on imports from hard-currency areas. The restrictions narrow the choices among items considered nonessential, such as the variety of imported drinks (reduced from 62 to 28) and brands of cigarettes (reduced from 34 to 13). Also, the number of foreign trading enterprises will be reduced to tighten central controls.

The harvest outlook, very promising in every country in the region until June, severely deteriorated in July, particularly for small grains. In July, floods inundated 800,000 hectares of agricultural land in Romania, of which 100,000 were seriously affected. In Hungary and Yugoslavia, precipitation in July—one-third above average—led to a protracted, difficult harvest, and serious harvest losses. At the other extreme, warm, dry weather in East Germany and Poland caused premature ripening, resulting in shriveled kernels and lower-than-anticipated yields. In early September, Poland lowered its grain output estimates by 10 percent (about 2 million tons).

Area sown to grain in the region remained at last year's level but about 450,000 hectares were shifted from small grains to corn. Total grain area increased in Bulgaria and East Germany but declined in Poland. In early September, the region's small grain output was estimated to be 5 million tons below the 66.8-million-ton record crop in 1974; wheat accounted for 4.3 million tons of the decrease.

If normal weather conditions prevailed during the rest of the growing season, a larger, corn crop may offset the total grain loss by 1.8 million tons, leaving the region with a 3.2-million-ton shortfall compared with last year's output.

A down trend in hog and poultry inventories, better results in forage production, an expected average potato crop, improved feeding efficiency, and a shift from concentrate feeding to grazing may compensate partially for the loss in output. Considering these factors, grain import requirements for East Germany and Poland are estimated at 3 to 4 million tons each, and for Czechoslovakia, about 1.5 million tons. Romanian grain import needs, in excess of a few hundred thousand tons of wheat, will depend on the corn harvest.

Hungary will only have a small quantity of wheat available for export, but corn exports could reach close to 1 million tons.

Potato area in East Europe is down about 4 percent.

But higher yields than the below-average ones last year could easily cause production to surpass that of 1974.

Harvested rapeseed area is up about 100,000 hectares; soybean area, 70,000; but sunflower area declined in Romania—the leading producer in the region.

Sugarbeet area is up about 200,000 hectares in the region and the harvest prospects are favorable. Consequently, Hungary will become almost self-sufficient in sugar consumption and Poland can resume its exports which were curtailed after the bad harvest in 1974.

As of September 1, U.S. traders contracted with East German and Polish import organizations for a combined total of 1.7 million tons of wheat and 1.8 million tons of corn deliveries during the respective marketing years. Contracts with East Germany call for 2.2 million tons, and with Poland, for 1.3 million tons total grain. While contracts are not sales, the deteriorated Soviet supply situation means that the United States may carry a share larger than last year of total East European imports.

In fiscal 1975, the United States exported about 2.7 million tons of grain to East Europe, one-third of which went to Poland. (*Thomas A. Vankai*)

People's Republic of China

The spring-summer harvest of 1975 in the People's Republic of China was hailed by officials as the best harvest ever. Reports of significant increases, as much as 10 to 20 percent over the good 1974 crop, were made by some provinces, while 19 of 24 summer-grain provinces reported increases over 1974. The spring-summer⁴ harvest includes crops planted that spring and in the preceeding fall and winter. These crops include winter and spring wheat, rapeseed, winter barley, pulses, vegetables, and early rice. Together, the grain crops comprise over one-third of the country's total grain production. Of the winter-planted grain crops, winter wheat occupies the largest portion, or about two-thirds of land planted. Together, winter wheat, winter barley, and pulses total about one-fourth of all grain acreage and contribute about one-fifth of total grain production. The production figure for grains probably also includes sweet potatoes (on a grain equivalent basis) grown in the southern provinces during the winter. The addition of the early rice crop—which comprises about 40 percent of total rice and is the largest of China's three rice crops—brings the total spring-summer harvest of grains to a little over one-third of total grain production.

Because of expanded acreage and a higher proportionate increase in yields in both the six major producing provinces in the North and 13 minor producing provinces in the South, the winter wheat crop was a record.

Dry weather in the North and Northeast affected both the winter and spring wheat crops. But the growth of the winter wheat crop was much enhanced by timely rain in the North in April. Because the Northeast did not get rain until late June, the spring wheat crop was less successful. Nevertheless, total wheat production set a new record over last year's 31.2 million tons.

Through increased efforts, production of other important winter crops, including vegetables and rapeseed reportedly exceeded 1974. Excessive rainfall and low temperature in much of the Yangtze River Basin in the early part of the crop season lowered rapeseed in Hunan and Kiangsi Provinces, and prevented an even larger output. Weather conditions in the other producing areas appear to have favored the crop. These Provinces reported an increase in production on an expanded acreage. The official claim was an increase of 60 percent in acreage and a 50-percent increase in production, compared with 1970; hence, another record crop.

The early rice crop is usually harvested in July and early August. The New China news agency in Peking claimed on September 1 that both yield and total production set an all-time record. The increase in 1975, however, is believed to be considerably less than in 1974. Problems caused by prolonged rain, cloudy days, and low temperatures in many southern provinces prevented as large a crop as had been expected, especially in Kwangtung Province. A recent reference to a "bumper" crop of early rice in Kwangtung suggests a good crop, if not a record.

By August 2, the state plan for total summer grain deliveries (taxes) and purchases had been completed and exceeded procurements in 1974—a good sign of a large harvest. While it is true, as press reports indicated, that weather has been somewhat less than favorable, the unprecedented efforts in water conservancy, other farmland improvements, and increased inputs have been major factors in increasing crop production this year.

Timely precipitation in the northern part of the country in late July alleviated much of the effects of dry soil and gave a boost to fall maturing crops in those areas. Heavy but short-lived rains in much of central China the first week in August and in east-central China about the middle of the month, while causing some local flooding, also supplied needed moisture to a large area of autumn crops. The effects of flooding are uncertain, according to preliminary fragmentary reports. Crop damage does not appear excessive, nor widespread. Major crops in the flooded areas include cotton, miscellaneous grains, and intermediate rice. Reports throughout the remainder of the country indicated satisfactory growing conditions for fall-harvest crops.

If damage caused by flooding is not excessive and if normal weather continues for the remainder of the year, China's total grain crop will exceed the 260 million tons production officially estimated for 1974.

Production of other crops—including cotton, sugar crops, tobacco, and other industrial crops—should equal or exceed the record harvests in 1974. Because of this favorable outlook, PRC imports of agricultural products, particularly grain, are expected to continue to decline. At the present time the United States is not exporting any major agricultural commodities to the PRC. (*Marion R. Larsen and Carolyn L. Whitton*)

Asia

Asia is still expected to have well-above-average harvests in 1975 as the unfavorable factors that have occurred during the growing season have only marginally affected the favorable early season forecast. In fact, although ambitious targets set by some of the countries may not be reached in 1975, the overall output will likely top 1974's production. Even where agricultural production is below 1974 levels, harvests are still only slightly below record highs. However, because of a drawdown of stocks in earlier years and the shortfall of many countries in reaching self-sufficiency, total imports of food and feed—mostly cereals—will probably exceed the quantities imported during 1974. Imports of livestock products, particularly nonfat dry milk, are rising sharply due to export programs by the United States and the European Community.

Agricultural exports by most Asian countries are on the upswing, thus providing necessary foreign exchange for imports of U.S. grain, oilseed products, and raw materials for use in manufacturing industries.

One of the most spectacular commodities providing a boost to Asian agricultural exports is sugar. Exports of sugar by India, the Philippines, Thailand, and Taiwan will be most valuable this year. Exports of sugar by India increased from \$54 million (209,000 tons) in 1973 to \$256 million (536,000 tons) in 1974 and the value for 1975 is expected to reach \$600 million (over 1 million tons). Shipments of sugar to booming Mideast markets by India, Thailand, the Philippines, and Taiwan are rising, partly because these countries are no longer receiving much sugar from the USSR or Eastern Europe. Thai sugar exports reached a record 553,000 tons in 1974 because of larger sales to Japan and the Mideast. The Philippines previously relied upon exports to the United States for most of its foreign sales of sugar, but other markets are now becoming important, including some in the Mideast and Eastern Europe. Some sources have reported large sales of Philippine sugar to the Soviet Union, Romania, and the People's Republic of China but details of these sales are not yet available.

Higher prices for India's exports of coffee, tobacco, spices, and oilseed products in the last 2 years plus the recent boom in sugar exports have kept the value for its total agricultural exports above the value of grain imports. India's agricultural exports in 1974

reached \$1.4 billion double the 1972 level, and in 1975 the value might reach \$2 billion.

Other countries enjoying larger exports of farm products and the items responsible for significant gains include:

- South Korea — tobacco, mushrooms, and silk
- Afghanistan — dried fruit and fresh grapes to the USSR and India
- Malaysia — palm oil to India, Pakistan, and Mideast
- Pakistan — basmati rice to Mideast markets and cotton
- Thailand — an assortment of corn, sugar, cassava and tobacco
- Indonesia — coffee, spices, tobacco and tea
- Taiwan — pork to Japan, canned fruits and vegetable to the United States and Europe

India's agricultural production will rebound in 1975 from the poor harvest in 1974. Monsoon rainfall has been excellent over most of India since late June. In Bihar and eastern Uttar Pradesh serious flooding has damaged corn and rice planted on over 2 million hectares. Flooding of the Ganges and its tributaries in August probably reduced India's 1975 rice prospects by 1 million tons, and floods washed away possibly another 1 million tons of corn awaiting harvest.

While production gains in India will be impressive, grain import needs will remain strong for a number of reasons. Stocks fell to very low levels during 1974/75 and some rebuilding of government and private household stocks is planned. Government procurement of wheat fell to 3.9 million tons, far below the target of 5.5 million tons in 1975. Food prices on the open market are still almost double those for basic commodities in fair price shops. An economic upswing and further urbanization will bolster demand for food. Many Indians have suffered from rising food prices and shortages during the recent year.

Food grain production in 1975/76 is expected to be about 10 million tons above the 102 million tons harvested in 1974/75. Food grain imports in 1975/76 are expected to remain near the 1974/75 level of 6 million tons. U.S. shipments of wheat to India in 1975/76 are likely to be slightly larger than the 4.3 million tons shipped in 1974/75.

Pakistan's 1975 wheat crop is now expected to reach about 7.5 million tons, slightly higher than estimated earlier, but still below the record 1974 crop. Excellent weather for the Barani, a late sown crop, contributed to the high wheat harvest. But even though wheat output was maintained at a high level, wheat imports rose from 1.0 million tons in 1973/74 to nearly 1.6 million tons in 1974/75. The United States

was again the principal supplier, providing 825,000 tons of which 420,000 tons were on a cash basis and the remainder under PL 480. In an attempt to reduce the rising wheat deficit, the Government of Pakistan has targeted the 1976 wheat crop at 8.5 million tons. In order to achieve that target, Pakistan is importing 7,500 tons of high yielding wheat seed from Mexico for the 1975/76 crop year. The ambitious target is further based on increased availability of fertilizer and pesticides and an anticipated increase in irrigation water that will be made available from the Tarbela Dam and installation of new tubewells.

Indonesia's 1975 rice crop estimate has been revised downward to 15.3 million tons because of leafhopper infestation and flood damage, primarily in East Java. Despite this damage, rice output is almost certain to top the 1974 harvest of 14.8 million tons. Rice stocks are about 1 to 2 million tons, and Indonesian rice prices have declined slightly in recent months. Because of the excellent wet season rice crop, rice imports will total only 600,000 to 700,000 tons in 1975. Most of the imported rice is being provided by the People's Republic of China, North Korea, and Thailand.

The Government of Indonesia has temporarily suspended fertilizer imports because of huge domestic supplies which are not currently needed. Letters of credit for about 900,000 tons of fertilizer (mainly urea and triple-superphosphate) scheduled for delivery in 1975 will not be opened. The contracts had been signed in late 1974 when urea was selling at \$419 per ton but the price has declined to \$240 per ton.

If weather continues favorable, the Bangladesh rice crop is expected to reach 12.3 million tons in 1975/76, an 8 percent increase above last year's flood-affected crop. Nevertheless, food grain import requirements for 1975/76 are estimated to be 2.1 million tons, 9 percent less than last year. Large imports of grain were arranged in early 1975 have been arriving at port cities. In fact, they even exceeded port capacity at times this summer. Bangladesh appears likely to have adequate grain imports to meet distribution needs in the critical year-end preharvest period. Plantings of jute, Bangladesh's primary export, are about the same in 1975/76 as last year's low level, but the weather has been nearly ideal.

Export earnings from Philippine coconut products during the first half of 1975 totaled \$237.3 million, 17 percent below the record set during the same period of 1974. The volume of exports reached 757,809 tons, nearly 60 percent more than the previous year. This means that the unit value of all coconut products has dropped about 50 percent during the past year. Coconut oil export value dropped 36 percent to \$117.7 million while volume climbed 31 percent. Copra export value rose 46 percent during the 6-month period to \$95.5 million while volume jumped 159 percent.

Burma's rice production in 1975/76 is forecast to be

8.7 million tons, up 2 percent from last year. Rice exports in 1975 probably will exceed the 200,000 tons exported last year and may total 300,000 - 400,000 tons.

Rainfall in Thailand has been good this year and the crops have progressed well. Record grain harvests are expected, including 2.8 million tons of corn, 300,000 tons of sorghum, and 9.8 million tons of rice.

South Korea's rice production is forecast at 4.6 million tons, up from 4.45 million tons in 1974. Rice imports will remain strong in 1975 because of recent gains in per capita consumption. Recovery in the textile industry has provided some increase in sales of U.S. cotton to South Korea. Larger imports of corn from Thailand and barley from Australia have crippled prospects for larger sales of U.S. coarse grains there. About 273,000 tons of U.S. rice will be shipped to Korea under P.L. 480 and a slightly larger volume will move under commercial terms this year. About 10 percent of the 1.5 million tons of wheat shipped to Korea will move through P.L. 480.

Malaysia's 1975 rice crop is forecast at 1.2 million tons, about 3 percent more than the record 1974 crop. Rice supplies are currently adequate, unlike the situation of a year ago when prices were high and little rice was available. Government efforts to minimize rice smuggling out of the country have been successful and should lead to reduced imports during 1975. Falling external rice prices have also discouraged illicit trade.

With favorable weather during the remainder of the year, Malaysia should be able to reduce its rice imports by about 30 percent to 150,000 tons in 1975. But with no large scale irrigation projects scheduled to open in the near future, rice imports will continue in the 150,000 to 250,000 ton range. Principal suppliers will continue to be the People's Republic of China and Thailand.

Taiwan produces slightly over half of its corn requirements and is shopping for an additional 3 million tons of basic food grains. Taiwan's Board of Foreign Trade has already contracted with several suppliers. The United States, a major supplier, will initially provide 450,000 tons of corn and 55,000 tons of wheat, Australia will provide 100,000 tons of wheat, Thailand up to 450,000 tons of corn, and South Africa up to 500,000 tons of corn. In the middle 1960's, Taiwan exported over 250,000 tons of rice but while production over the years has remained relatively constant, exports have steadily dropped to about 10,000 tons in 1974. (*Asia Program Area*)

Latin America

High 1974 prices and increased emphasis on expansion of agriculture in most countries encouraged record 1975 plantings of grains, oilseeds, and other food crops in Latin America. However, gains in livestock products will be limited due to

depressed world demand. Lower world prices encouraged a cutback in cotton in Mexico and Central America to the lowest level in recent years. Growth in agricultural output will also be restricted by adverse weather which reduced yields of major crops, particularly in Argentina, Brazil, the Caribbean, and Central America.

Dry weather delayed plantings and wet weather reduced yields of the early feed grains and oilseed crops in Argentina. Production of corn (7.5 million tons) and sorghum (4.2 million tons) was sharply below 1974 records and oilseed production fell off 10 percent. Continuing wet weather delayed midyear seedings of the late cereals. However, the area in wheat for the November-January 1975/76 harvest is estimated to be up eight percent from the previous year, and preliminary production estimates range from 6.5 million to 7.4 million tons, compared with 5.75 million tons a year earlier. Argentina maintained a high rate of grain shipments through midyear and significant quantities of feed grains remain under contract for later 1975 delivery.

Conditions were favorable for planting of early crops in Brazil but a severe cold front penetrated deeply into the southern agricultural areas in early July, damaging pastures and later crops. The 1975 soybean harvest of 9.6 million tons exceeded the 1974 record by 28 percent and corn production is estimated up sharply to an all-time high near 16 million tons. The 1975 coffee harvest was near completion and suffered only limited yield losses; but the severe freeze killed large numbers of trees in the important producing areas and preliminary estimates for 1976 production range downward to less than one-half of the normal 1.5-million-ton crop. Serious losses were also reported for pastures and growing crops, particularly sugarcane, wheat, fruits and vegetables. Midyear rains and flooding also damaged sugarcane, tobacco, grains, and other crops in northeastern Brazil.

Mexico's 1975 agricultural production benefitted from increased prices and improved growing conditions and a significant recovery is anticipated despite a sharp reduction in cotton. Dry weather in northeastern Mexico limited prospective expansion in sorghum production, but moisture conditions improved in other areas, increasing northern irrigation water supplies and providing favorable conditions for planting food crops in central Mexico. Producers in northern zones shifted from cotton to other irrigated food crops, particularly wheat, which is estimated at 2.7 million tons, up from the 1974 record of 2.2 million tons. The area in corn and beans increased and favorable growing conditions through August indicated bumper harvests near 9.3 million and 1.2 million tons, respectively. The current outlook is for a reduced but still relatively high level of Mexican imports of grains and other food during 1975.

Agriculture in the Caribbean suffered from unusually dry weather which continued from 1974. Production of 1975 food crops was cut back sharply in northeastern areas including the Dominican Republic and Haiti. The drought zone extended into bordering areas including the eastern zones of Central America this year. Current reports indicate significant reductions in yields for corn, beans and other late harvested food crops in Guatemala, Honduras, and Nicaragua. More area was devoted to food crops in 1975 in most Central American countries and some drought affected areas have recently had rain. However, drought losses are expected to increase the need for food imports into the Caribbean and Central America during the year ahead.

Agricultural conditions were reported favorable in other Latin American areas through mid-1975. A moderate recovery in production continued in Chile, although the country remains dependent upon a high level of food imports. The other Andean countries (Columbia, Ecuador, Venezuela) continued to expand area in grains and oilseeds; and with continuing good weather, increased production is expected to reduce import needs for feedgrains and provide a significant surplus of rice for export to the Caribbean and other deficit areas.

The Latin American region maintained near record exports through midyear but some weakening of the trend is anticipated due to the falloff in production of major commodities including coffee, cotton, feed grains, sugar, and bananas. However, lower world prices for grains, oilseeds, and sugar may also reduce export earning in the year ahead. These trends are reflected in Latin American agricultural exports to the United States for January-July which fell from a value of \$2.4 billion in 1974 to \$2.2 billion in 1975. Shipments of sugar, coffee, and bananas—which make up two-thirds of the trade—declined during 1975 and average January-July prices for sugar and coffee fell significantly from high levels received during July-December, 1974.

Latin American agricultural imports from the United States for January-July also declined from \$1.5 billion during 1974 to \$1.3 billion this year. Wheat imports were slightly below 1974 volume, reflecting the larger Mexican and Brazilian crops and some general falloff of consumption in face of rising prices. Feed grain imports were near high 1974 levels due to 1974 production deficits in Mexico. Increased 1975 production of food crops in many importing countries encouraged a reduction in purchases of other U.S. commodities, including oilseeds and related products, fruits, and vegetable preparations. The region's imports for the coming year may be influenced, to some degree, by increased requirements in the Caribbean and Central America. However, the value of imports will be affected by lower prices for grain and oilseeds and related

products and is expected to fall significantly below high levels of the past 2 years. (Howard L. Hall)

Africa and West Asia

Africa

The bitter struggle between independence movements for the control of Angola has resulted in a breakdown of civil order and functioning of the economy. Most of the white population, predominantly Portuguese, is attempting to leave the country, thereby taking much of the skill in agricultural management. But of possibly greater importance is the large-scale displacement of Africans from their homes and employment. The disruptions have affected many agricultural workers, particularly workers on coffee, cotton, and sisal plantations. While Angola has been the world's fourth largest coffee producer, much of this year's crop will be unpicked. Sisal and cotton production may decline drastically also.

Angola appears in need of much higher food imports this year than usual. In recent years the largest food import has been wheat. Average annual imports have been around 100,000 tons.

In the Republic of South Africa the estimate of the 1975 corn crop (harvested in May and June) was revised downward to 9.8 million tons, 12 percent smaller than last year's record crop of 11.1 million tons. The country's export goal for the current marketing year is 3.7 million tons. Despite the record crop last year, only 3.2 million tons were exported as rail transport and port conditions limited exports. The producer price for 1975 corn has been raised by 12 percent over last year's. There was a rebate to producers from profits on export sales of 1974 corn.

South Africa's 1974 wheat crop estimate has been adjusted to 1.6 million tons, down 14 percent from the previous year's record level. The 1974 crop covers domestic requirements for wheat, but leaves only token amounts for export.

While the 1975 wheat and barley crops in North Africa were not as bad as earlier predictions indicated, production in both Morocco and Algeria was below average. Morocco and Algeria together will require imports of at least 3 million tons of wheat in the current year, compared with 2.5 million tons in 1974. Tunisia has a good harvest. Its import requirements are estimated at 300,000 tons of wheat, about the same as last year.

Egypt remains Africa's largest food importer. In 1975 Egypt is expected to import over 5 million tons of grain—including 3.5 million tons of wheat, 0.8 million tons of flour, and nearly 0.7 million tons of corn. Grain imports are rising despite Egypt's reduced level of rice exports.

In Sudan a revitalized drive for self-sufficiency in food production is believed to have shifted acreage

out of cotton production. In addition to food grains, sugar is receiving a great deal of attention. With aid primarily from the Kuwait Fund for Arab Development, Sudan hopes to put more area into sugarcane production and to build enough cane processing plants in order to reach self-sufficiency before the end of this decade.

Africa and the World's Coffee Problem

Coffee growers in Africa should be able to take up some of the slack in world coffee trade—which may result from frosts in Brazil in July 1975—from their sizable current production and stocks. The frosts will affect the 1976/77 Brazilian coffee crop but will not reduce the 1975/76 crop now being harvested.

For Africa, the first estimate made by Foreign Agricultural Service of the 1975/76 coffee crop was 18.2 million bags (1,092,000 metric tons), 7 percent smaller than the previous year.

Ivory Coast, Africa's largest and the world's third largest coffee producer, expects a 1975/76 crop of 4.15 million bags (249,000 tons), about 6 percent smaller than in 1974/75.

Uganda's probable 1975/76 production of 3 million bags (180,000 tons) will equal the previous year's crop.

Political instability in Angola (incident to impending independence) has greatly reduced coffee production and export. Angola has been the world's fourth largest producer of coffee. The first estimate for Angola's 1975/76 crop was 2 million bags (120,000 tons), off sharply from the 3 million bags (180,000 tons) produced in 1974/75. Workers from southern Angola have fled the coffee plantations and are not likely to return soon. Most of the plantation owners, managers, and technicians are also gone. Angola's coffee exports in 1975 have fallen off drastically, partly due to chaotic conditions in the ports. Stocks of coffee are reported about equal to a year's normal exports.

Ethiopia's 1975/76 coffee production is estimated at 2 million bags (120,000 tons), down only slightly from the 1974/75 crop of 2.05 million bags (123,000 tons). Following the news of the Brazilian frosts, the price of Ethiopian coffee has jumped from 43-44 cents per pound, FOB Djibouti, to around 73 cents.

Other African countries producing coffee in significant quantities include Cameroon, Kenya, Malagasy Republic, Zaire, Tanzania, Burundi, Rwanda, Togo, and Central African republic. None of these countries has reported coffee crop failure in 1975.

West Asia

Turkey's wheat crop for 1975 is estimated at 10 million tons, the second largest on record. In some years a huge importer of wheat, Turkey is not expected to import more than token amounts this

year. Low 1974 world cotton prices resulted in a 25-percent drop in 1975 cotton area to 600,000 hectares.

Wheat production was good in Iran also. A record 4.7 million tons was harvested in 1975, causing wheat import expectations to be pared to 1.2 million tons for the current year. The good wheat crop does not, however, reduce Iran's need for large imports of rice, vegetable oils, and feed grains.

Poorer weather visited other countries in West Asia. Israel's wheat crop was down 27 percent to 190,000 tons. Israel likely will import about 450,000 tons of wheat this year, about one-fourth more than last year. Syria had late rains which were too late to improve the barley yield and a far below average crop of 250,000 tons was harvested.

Jordan suffered a severe drought in 1975, causing

wheat output to fall precipitously to 60,000 tons on the East Bank compared with 244,000 tons in 1974. Barley production was down 60 percent from 1974. These poor food grain turnouts suggest that about 235,000 tons of wheat will need to be imported, up 38 percent over last year's imports.

The oil-rich countries of West Asia continue to import more and more agricultural commodities. Some of the huge petroleum revenues are reaching the general populace of these countries and thereby generating demand for more and better food. U.S. agricultural exports to West Asia in 1975 are expected to reach \$1.5 billion, compared with \$1.26 billion in 1974 and \$297 million in 1972. In 1975 the principal U.S. agricultural export items are wheat, flour, rice, and vegetable oils. (Robert E. Marx).

WORLD ECONOMIC RECOVERY IN SIGHT

The world economy appears poised for an economic recovery in late 1975. The economies of the principal developed countries have either started expanding or have halted the sharp decline in business activity of 1974 and early 1975, and are adopting more expansionary monetary fiscal policies to move more solidly into a recovery.

The 1974-75 recession and former restrictive policies helped reduce the rate of price advances, but brought unexpectedly high levels of unemployment and unused capacity. With the start of recovery, fiscal and monetary policies are beginning to be expansionary, but only moderately so, since most authorities fear new rounds of inflation are possible.

The less developed countries are expected to perform a little better in terms of overall output and demand in 1975, although their trade balances have deteriorated sharply and their external debt has continued to climb rapidly. The OPEC countries are continuing to grow at a high rate in 1975, although hampered somewhat by recession in the developed countries.

Although it is difficult to pinpoint exactly when and where the economic downturn began, it appears that most of the developed countries are looking to the United States, Japan, and West Germany to act as the recovery pacesetters. If these three countries experience a recovery in demand in the coming months, as seems likely, the effect on other developed countries will be to stimulate demand for imports. This import demand will in turn stimulate the export sectors of other developed countries. Such a trade stimulus from a few countries is of particular importance in the present downturn because the economies of many of the developed countries appear to be moving up and down together. In the past, an economic downturn in one or a few developed countries would ordinarily improve with time as decreased import demand and continued growth in

other countries stimulated the depressed economy's exports and eventually led to renewed growth.

However, the pattern has changed in the past few years, due partly to the simultaneous impact of high food and oil prices which affected all countries beginning in late 1972. The immediate effects of these price increases was inflationary. Sharp rises in wages, in some cases unmatched by increased productivity, were also a factor in prolonging and worsening the ongoing world inflation rate (table 1).

When the continuing high rate of inflation began to gain momentum in 1973-74, domestic demand, while at first sustaining spending, eventually and perhaps predictably, turned downward. Real growth and income declined (table 2) and saving as a percent of personal disposable income increased (table 3) in reaction to the very sharp price rises in food, fuel, and interest rates. Therefore, the secondary effect of these price increases was recessionary. Consumer as well as business confidence dropped dramatically, and increasing unemployment in 1974 further eroded confidence and decreased investment. Manufacturers in many economies continued to produce at a rate exceeding final demand. This led to a buildup in inventories which in some instances reflected precautionary buying during a time of high inflation. The result has been an all-time postwar high of idle plant and equipment in OECD countries as inventories have been used to supply existing demand.

The first half of 1975 brought a generally sharp fall in economic activity although no further deterioration is expected in the last half of the year. Recently, Japan, Germany, and the United States, as well as other countries, have begun generally moderate fiscal-monetary programs aimed at an expansion in output and employment without restarting the high inflation rates of 1974.

As for developing countries, many of them are

Table 1.--Consumer Prices in Selected OECD Countries
Percent Change from Previous Period At Annual Rate

Country	1973	1974	12 months to May 1975
United States	6.2	11.0	9.5
Japan	11.7	24.5	14.1
Netherlands	8.0	9.6	10.4
West Germany	6.9	7.0	6.1
Canada	7.6	10.9	10.1
France	7.3	13.7	12.1
Italy	10.8	19.1	19.7
United Kingdom	9.2	16.0	25.0
Spain	11.4	15.7	16.9
Turkey	14.0	23.8	23.2

Source: OECD, Economic Outlook, July 1975.

Table 2.--Real GNP Growth Rates for
Selected Countries

Country	1973	1974	Proj. 1975
----- Percent Change -----			
United States	5.9	-2.1	-3.5
Japan	11.0	-1.8	1.5
Netherlands	4.2	2.5	0.5
West Germany	5.3	0.4	2.0
Canada	6.8	3.7	-0.25
Mexico	7.6	6.2	4.5
Iran	34.0	41.0	22.0
Venezuela	6.0	5.1	n.a.
India	5.4	1.0	3.3
Egypt	4.0	5.9	n.a.
Bangladesh	8.2	11.5	2.0

Source: U.S. Embassy Reports; U.S. Department of Commerce; International Monetary Fund, International Financial Statistics; OECD, Economic Outlook; and various publications.

Table 3.--Savings as Percent of Personal
Disposable Income

Country	1973	1974	1975	Avg. 1964-72
Canada	7.8	8.2	8.8	6.7
United States	8.4	8.1	8.9	6.9
Japan	24.1	25.6	25.0	19.4
France	13.3	12.4	12.1	11.4
Germany	13.5	14.8	15.3	12.2
Italy	17.1	14.7	16.2	16.2
United Kingdom	11.3	12.1	9.6	8.5

Source: OECD, Economic Outlook, July 1975.

Table 4.--Payments Balances on Current Account 1/
(billion U.S. dollars)

	1973	1974	1975 <u>2/</u>
Major oil exporters <u>3/</u>	6	70	50
Industrial countries <u>4/</u>	10	-12	1
Non-oil primary producing countries			
More developed <u>5/</u>	1	-12	-12
Less developed <u>6/</u>	-9	-28	-35
Total <u>7/</u>	8	19	4

1/ Goods, services, and private transfers.

2/ The 1975 projections are subject to considerable uncertainty and should be viewed as rough orders of magnitude.

3/ Comprise all OPEC member countries except Ecuador and Gabon.

4/ All OECD member countries except those OECD member countries included in footnote 5.

5/ Australia, Finland, Greece, Iceland, Ireland, New Zealand, Portugal, Spain, Turkey, and Malta, South Africa and Yugoslavia.

6/ Comprise IMF member countries not listed in preceding categories.

7/ Reflects balances of countries covered here with nonreporting countries, plus (quantitatively more important) statistical errors and asymmetries.

Source: Data: Reported to the IMF, and Fund staff estimates.

experiencing a downturn in economic activity, although internal demand has not slumped as much as in the developed countries. However, the demand for their exports by the developed countries has declined considerably, thereby depressing prices for many raw materials.

The most developed countries, especially the United States and Japan, have generally had larger drops in imports than in exports, thus improving their trade balance despite the continued high price for oil imports. This adjustment has resulted in shrinking markets for most of the rest of the world. The International Monetary Fund's projection of payments balances on current accounts for 1975 (table 4) shows an improvement of accounts for industrial countries and continued and enlarged deficits for developing countries.

The OPEC countries are expected to continue to

accumulate trade balance surpluses in 1975 but not so large as those of 1974. A decline in oil production became necessary earlier in the year as the combination of high prices and the world recession affected consumption. Consequently, the payments balance on current account for the major oil exporters is projected to decline from \$70 billion in 1974 to \$50 billion in 1975.

Finally, the U.S. dollar has appreciated in recent months, especially relative to the major European currencies. Key factors in the latest appreciation were rising U.S. interest rates and growing optimism about the U.S. economy as a whole. The U.S. Department of Commerce's trade-share weighted average index for 14 industrial countries of exchange rate changes in terms of the U.S. dollar cost of these currencies was at 129 last July and decreased to 121 this July (April 1971). (A. Vellianitis-Fidas)

WORLD PRICE DEVELOPMENTS

Soviet grain purchases in early July prompted an upsurge in grain prices, and other agricultural commodity prices also followed suit. The downward revision of the 1975 U.S. corn and soybean crop forecasts and lowered forecasts for West European, Soviet, and Canadian grain crops also strengthened U.S. grain and oilseed prices.

In August, the U.S. Gulf port price for wheat (HRW No. 2) was \$4.37 a bushel, a rebound from recent months, but lower than the \$4.56 a bushel of a year ago (figure 1). The August Gulf port price for corn (No. 3 yellow) at \$3.46 a bushel had risen for the second month, but was 24 cents a bushel less than a year ago. The Gulf port soybean price (No. 2 yellow) at \$6.33 a bushel also strengthened, but was priced \$1.72 a bushel less than a year earlier. International prices for nearly all oilseeds, sugar, rubber, coffee, and cocoa were lower in July than they were a year earlier, but were higher than in recent preceding months. U.S. cotton, responding to declining 1975 output and an anticipated upturn in general economic conditions, also experienced an upturn in prices. International prices for beef, lamb, and bacon—which have been on the upswing—were higher than they were a year ago. Rice prices, however, continued to slide because of prospects for a good U.S. rice crop and the closing off of certain Asian markets.

Farm Prices

U.S. farm prices have responded to the recent production and trade developments. U.S. farm prices, which stood at an index of 187 (1967=100) in August, were the same as in July and 1 percent above a year ago. Higher prices for wheat, milk, hogs, corn, soybeans, upland cotton, and eggs were offset primarily by lower prices for cattle, and tomatoes.

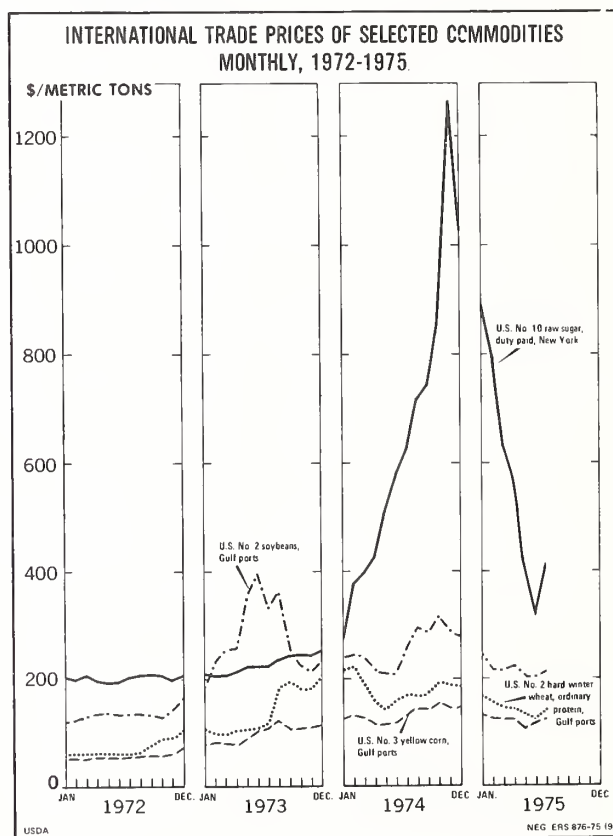


Figure 1

Wheat, rye, corn, upland cotton, soybeans, linseed, dry edible beans and beef cattle were priced less than a year ago. Poultry, dairy products, hogs, sheep, and most fresh fruit all made price gains.

From the first quarter of 1974 to the first quarter of 1975, prices received by U.S. farmers fell 16 percent

(table 5). During the same period, Canadian farm prices declined 10 percent. In Belgium, France, Germany, and Portugal, farm prices were nearly stable—increasing or declining by less than 4 percent. Italy's and Ireland's farm prices rose 10 percent and 16 percent, respectively. Yugoslavia, with chronic inflation problems, experienced a farm price hike of 39 percent.

In Japan, farm prices rose 24 percent from May 1974 to May 1975, with wheat prices gaining by 29 percent and rice by 31 percent. Among livestock products, Japanese farm prices rose 21 percent for meat and milk and 20 percent for eggs during the same period.

Prices of Agricultural Inputs

U.S. farming expenses have continued to climb. The U.S. index of prices paid, interest, taxes, and wages rose to 187 (1967=100) in August 1975, 1/2 percent above a month earlier and 8 percent above a year earlier. Feeder livestock and feed were priced lower than a year ago. Through July, the U.S. feed-livestock price ratios showed an improvement, especially for hog and beef feeding enterprises.

From May 1974 to May 1975, Japanese farm input costs increased 9 percent, with feeder livestock prices making a 6 percent gain; fertilizer, a 25 percent increase; livestock feeds, a 4 percent gain; and agricultural chemicals, a 16 percent price hike. Because of declines in livestock and poultry feed prices in early 1975, Japanese livestock farmers have experienced a recent improvement in the profitability of livestock feeding enterprises. From May 1974 to May 1975, gains in farm level hog, milk, egg, and broiler prices outpaced rises in the cost of mixed feeds. Increases in farm-level cattle prices, however, were less than the rise in the input cost of mixed feeds for cattle.

Costs of Canada's farm inputs also continued to climb, including machinery and equipment, feed and fertilizer. Feeder cattle prices fell 32 percent from the first quarter of 1974 to the first quarter of 1975.

The EC livestock-feed price ratios in August improved from a year earlier and, although grains were priced higher than a year earlier, soybean products and many nongrain feedstuffs were lower. In terms of feed value, pulses, wheat-milling byproducts, tapioca, and—to some extent—corn gluten feed meal were lower priced ingredients for compound feeds in the EC. High protein sources like meat meal, whey powder, and nonfat dry milk were relatively more attractive in price than soybean meal. Despite these relative cost considerations, mid-August saw extremely heavy European purchases of grains to assure supplies in the face of the massive demand from world feedgrain users and the continued drought in Europe. The relationships between EC import prices and international prices for grain have changed again. In early 1975, EC

import levies were applied to wheat and feed grains, but the levies declined because of higher world prices in July and August. By late August, import levies were no longer in operation for durum wheat, barley, and oats. Export levies—which appear when international prices exceed EC threshold prices—became operational in late August to prevent EC grain from flowing out into foreign trade.

Export and Import Unit Values

Through July, unit values for U.S. agricultural exports and imports reflected the sharp downturn in prices in early 1975. The July 1975 index of U.S. export unit values at 210 (1967=100) was 3 percent higher than a year earlier. Corn, soybean meal, soybean oil, flue-cured tobacco, inedible tallow and nonfat dried milk were valued more than in July 1974, but soybeans, wheat flour, wheat, grain sorghum, raw cotton, milled rice, and whole cattle hides were all valued less than a year earlier. The July 1975 U.S. index of import unit values at 189 (1967=100) was 6 percent less than a year ago. Sugar, canned hams, bananas, wines, tobacco, and fresh tomatoes were valued higher than in June 1974, and coffee, cocoa beans, beef, rubber, cattle, and wool were priced lower. Unit values of most imported agricultural commodities have declined since the early months of 1975.

The price index of Japan's imported foodstuffs has also been declining since January, but the April index was still 26 percent higher than a year earlier. Meat imports were valued 20 percent less than a year ago, and wheat was 1 percent less. Imported wool and raw cotton prices were also declining. Imported corn was priced 17 percent higher a year earlier, and soybeans were 25 percent higher. The import unit value of sugar peaked in March, and in April was 156 percent higher than in April 1974. Coffee and cocoa beans were priced higher than a year ago, but were not at peak levels.

In June, the price index of West Germany's agricultural imports was 6 percent lower than in June 1974. Livestock and meat, milk, and fruits and vegetables were priced higher than a year ago, but eggs, oilseeds and oilseed products, food, and feed grains, coffee and cocoa beans were all priced lower. In June, West Germany's sugar imports were priced 49 percent below a year earlier. (In June, U.S. sugar import prices were 82 percent higher than a year earlier.)

Consumer Price Indexes for Food

In the United States, the August consumer price index for food dropped 0.3 percent from July to 179 (1967=100). Higher prices for pork, cheese, butter and sugar were partially offset by lower prices for beef, fresh vegetables, cereal and bakery products, and fat and oil products.

Table 5.--Index of prices received by farmers in selected countries

[illegible]

During the first quarter of 1975 the food component of the U.S. consumer price index was 8.7 percent higher than a year earlier (figure 2 and table 6). Most EC countries—except for West Germany and the Netherlands—had similar or larger food price hikes. Ethiopia, Morocco, Niger and Zambia also experienced smaller price rises for food. Paraguay's food prices declined according to their price index. Because of controls, most East European countries maintained their food prices at last year's levels. An exception was Yugoslavia, whose food prices rose

nearly 20 percent. Countries with food price hikes of more than 25 percent from the first quarter of 1974 to the first quarter of 1975 included Argentina, Brazil, Colombia, Ecuador, Guatemala, Liberia, Mozambique, Pakistan, Portugal and Zaire. Israel's food prices rose 50 percent, and similar gains probably occurred in Uganda, Kenya, and Tanzania. The rise in Tanzania resulted from the reduction of subsidies in late 1974. Uruguay, with an 83 percent rise in food prices, has had a chronic inflation problem. (H. Christine Collins)

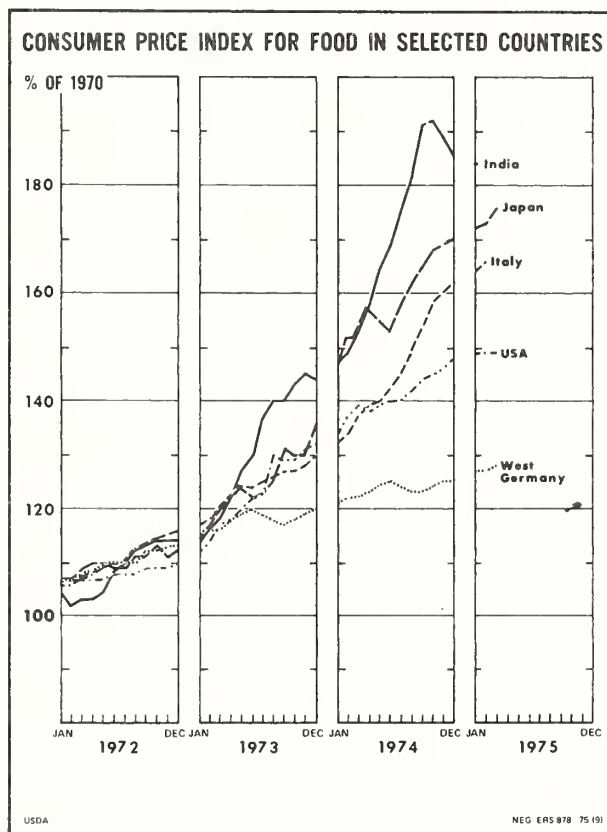


Figure 2

U.S. AGRICULTURAL TRADE

The value of U.S. agricultural exports in fiscal year 1976 (year ending June 30, 1976) is expected to about match the \$21.6 billion in the previous fiscal year. The large increase in export prospects to the USSR will offset the loss in value from lower prices and the drop in exports to the PRC and Western Europe. Overall the value of exports to USSR is expected to total about \$2 billion. To date Soviet purchases from the United States include 4.2 million tons of wheat and 4.5 million tons of corn. A U.S. exporter also sold

1.1 million tons of barley with options of supplying this volume from other sources or to supply U.S. corn in place of barley. The exporter will probably exercise the corn option. Also 400,000 tons of wheat and coarse grains were sold earlier this year to be delivered during fiscal 1976.

President Ford announced on September 9 that the U.S. had sent a high-level delegation to negotiate a long-term grain sale agreement with the USSR. In response, the maritime union leaders agreed to lift

Table 6.--The food component of the consumer price index in selected countries

Country	:	:	:	:	1973	:	1974				:	1975
	:	1972	1973	1974	IV	:	I	II	III	IV	:	I
	:	:	:	:	:	:	:	:	:	:	:	:
	:	1970=100										
Argentina	:	231	359	413	379	:	373	389	410	479	:	
Australia	:	108	124	143	133	:	138	143	147	146	:	
Austria	:	110	118	128	121	:	125	127	130	131	:	133
Bangladesh	:	148	217	n.a.	250	:	266	304	339		:	
Belgium	:	109	117	128	120	:	123	127	131	133	:	136
Cameroon	:	113	124	146	131	:	137	141	149	156	:	161
Canada	:	109	125	145	132	:	136	142	148	153	:	156
Colombia	:	128	169	215	172	:	194	215	212	238	:	263
Czechoslovakia	:	99	100	100	99	:	99	100	100	100	:	
Denmark	:	116	131	147	138	:	140	144	148	155	:	158
Ecuador	:	118	142	187	159	:	166	192	192	203	:	
Egypt	:	108	116	138	122	:	127	135	136	144	:	
Ethiopia	:	88	99	108	99	:	106	110	108	107	:	103
France	:	115	126	141	131	:	134	139	142	146	:	149
Germany, West	:	110	118	124	119	:	122	124	124	125	:	127
Greece	:	109	133	169	153	:	163	170	169	175	:	184
Guatemala	:	98	117	136	124	:	123	127	132	160	:	169
India	:	108	131	171	144	:	149	164	183	188	:	184
Indonesia	:	113	162	229	184	:	217	229	227	244	:	256
Iran	:	116	124	144	127	:	135	147	144	148	:	157
Ireland	:	120	140	160	144	:	149	157	163	173	:	183
Israel	:	123	149	215	162	:	196	208	205	253	:	294
Italy	:	111	124	146	128	:	134	140	149	160	:	165
Japan	:	110	124	159	132	:	150	155	161	169	:	174
Jordan	:	118	140	189	154	:	183	201	181	191	:	211
Korea	:	135	138	176	143	:	164	171	183	188	:	200
Liberia	:	91	118	149	122	:	137	144	160	156	:	
Malawi	:	116	124	144	129	:	140	139	147	151	:	163
Malaysia	:	105	121	154	137	:	148	151	154	160	:	
Mexico	:	108	129	174	147	:	165	169	179	183	:	
Morocco	:	112	118	141	126	:	141	138	140	145	:	147
Mozambique	:	130	127	154	129	:	148	151	160	161	:	
Netherlands	:	111	120	129	123	:	126	126	129	133	:	135
New Zealand	:	114	127	141	134	:	137	140	144	146	:	
Niger	:	123	144	148	149	:	145	144	154	148	:	151
Nigeria	:	128	125	151	132	:	143	153	153	153	:	
Pakistan	:	110	138	180	156	:	162	172	189	197	:	205
Paraguay	:	121	147	183	148	:	192	183	178	180	:	187
Peru	:	115	126	150	132	:	138	147	155	160	:	
Philippines	:	157	164	237	190	:	210	233	253	253	:	258
Poland	:	100	102	113	103	:	107	116	118	113	:	
Portugal	:	120	131	173	141	:	153	165	181	193	:	203
Republic of South Africa	:	112	129	149	136	:	137	143	154	161	:	166
Spain	:	118	133	152	141	:	142	148	154	162	:	168
Sri Lanka	:	108	122	139	131	:	133	135	141	147	:	149
Sweden	:	119	126	134	129	:	132	130	133	139	:	142
Thailand	:	107	123	157	129	:	143	160	162	165	:	162
Turkey	:	127	152	181	160	:	163	173	189	198	:	203
United Kingdom	:	121	139	164	148	:	156	162	165	178	:	189
Uruguay	:	197	400	690	493	:	545	595	710	910	:	996
Venezuela	:	110	117	133	121	:	122	122	141	147	:	149
United States	:	108	123	141	130	:	137	139	142	146	:	149
Yugoslavia	:	139	169	196	182	:	194	202	200	214	:	232
Zaire	:	142	165	216	177	:	208	218	212	224	:	238
Zambia	:	112	119	129	123	:	128	129	130	131	:	

Source: International Labor Office, Bulletin of Labor Statistics.

their boycott on loading of grains bound for Soviet ports. The boycott will be suspended for 1 month and then labor leaders will review the progress of President Ford's new policy. The aim of a long-term agreement would be to commit the Russians to make certain minimum purchases every year, as Japan usually does. Soviet purchases have been erratic—ranging from 1.8 million tons last year to 13.7 million in 1973/73. The Soviets have purchased 10.2 million tons of U.S. grains thus far this year. The President also said the U.S. would complete negotiations with the Russians on the rates for shipping American wheat to the Soviets in U.S. flag ships.

The export volume of principal U.S. agricultural commodities probably will total nearly 100 million tons, about 15 million tons above the level in fiscal 1975 and near the record of fiscal 1974. However, the export value may show relatively little change because of an expected drop of perhaps as much as a tenth in the overall export unit value.

Exports of grains and preparations in fiscal 1976 are expected to total about \$12 billion, somewhat above the \$11.5 billion of fiscal 1975. Increased volume is expected to more than offset somewhat lower export unit values during the current year. Wheat exports are expected to total around 33 million tons during 1975/1976, up from about 28 million tons a year earlier. Feed grain exports are forecast to total around 43 million tons. Although this level is about 10 million tons above last year's volume, this quantity would about equal the 43.8 million tons exported in fiscal 1974.

Grains exports to Eastern Europe are expected to increase because of floods in Romania and drought in East Germany. Eastern Europe may be a market for around 10 million tons of grain from all sources during the current fiscal year. Normally the USSR would supply between 4 and 5 million tons, but a much smaller quantity is expected to be supplied by the USSR in fiscal 1976. South Asia should be a larger market for wheat during 1975/76. India has good crop prospects thus far this year but the country will probably import a large quantity of grain to meet demand in urban centers and to permit some stock rebuilding in the countryside. Japan is also likely to purchase more grains from the United States. Feed grain exports to Japan are being stimulated by lower grain prices and expected gains in Japanese livestock feeding.

U.S. exports of oilseed products during the current fiscal year will probably be up in volume, but with lower prices, the export value may be down somewhat from last year's \$4.9 billion. World demand for protein meal continues to lag because relatively high feed prices have made livestock and poultry production less profitable. If the 1975 grain production is sufficient to assure livestock producers of adequate supplies at attractive livestock-feed

ratios, foreign demand would probably pick up in early 1976. Per capita demand for food fats and oils has declined because of reduced real incomes. However, improved economic conditions in 1976 should encourage increased oil consumption.

There has been a general increase in world production of both oils and protein meals in the past year. U.S. and Brazilian soybean crops are larger than in 1974. Soybean production in Brazil has risen faster than expected. Brazil's production this year of 9.6 million tons of soybeans is equivalent to roughly one-fourth of the U.S. crop. Production of fishmeal, peanut meal, and rapeseed meal is also gaining during the current year.

U.S. exports of cotton are expected to total between 3.8 to 4.3 million bales compared with the 3.9 million last year. A moderate increase is expected in world consumption beginning in late 1975 and early 1976 stemming from the expected improvement in economic conditions. This increase, combined with lower than average stocks in importing countries, should renew interest in the expansion of world trade.

U.S. exports of tobacco during the fiscal 1976 are expected to total about 630 million pounds valued at \$1 billion. This compares with 638 million pounds in 1975 valued at \$910 million.

Because of the continued low prices, the export value of livestock and livestock products is expected to about equal last year's \$1.4 billion. Dairy exports are expected to gain during the current year with increased P.L. 480 shipments of non-fat dry milk. Exports of fruits, nuts, and vegetables will probably about match last year's \$1.2 billion.

Agricultural imports are now expected to total around \$9.3 billion, up from the earlier forecast, but a little below actual imports of \$9.6 billion in fiscal 1975. Thus agriculture's contribution to the U.S. trade balance in 1976 will probably approximate the \$12 billion high in fiscal 1975 (figure 3). (*Dewain H. Rahe*)

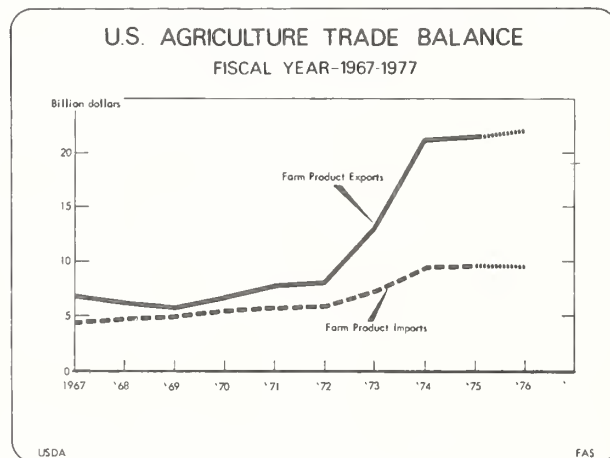


Figure 3

Trade Preferences

The United States will begin operation of its generalized system of preference (GSP) on January 1, 1976. The system, authorized by the Trade Act of 1974, will provide trading opportunities in the manufacturing sector (and some other products) for the developing countries. Many of the countries designated as beneficiaries have been announced and public hearings have been held on a proposed list of products to be accorded preferential tariff treatment. Preferential treatment will be set at zero for selected products exported from eligible developing nations. When a country's exports to the United States of a particular product exceed \$25 million, or 50 percent of total U.S. imports of that product in a calendar year, that country will become ineligible for preferential treatment for that product.

Upon completion of the final details of the program (final list of products and implementing regulations), information regarding the system will be disseminated through U.S. embassies, international organizations and bilateral consultations. The system will be reviewed by Congress after 5 years and will expire after 10 years. (*Barbara Blair*)

Multilateral Trade Negotiations (MTN)

The Trade Negotiations Committee (TNC), which supervises and develops procedures for the MTN, met in February and established several working groups and subgroups to discuss problems in their areas. The TNC met again in July and heard statements from a number of countries regarding the progress of the negotiations.

The Group on Agriculture met in mid-July and reviewed the current work on the grain, meat, and dairy subgroups which held their respective sessions in May and June to develop work programs. The Group also discussed questions relating to the procedures to be followed with respect to quantitative restrictions on agricultural products, as well as to other tariff and nontariff measures on products not covered by the three subgroups. These issues and special procedures in agriculture for developing countries will be discussed in the Agricultural Group meeting in September.

Meetings were also held during June and July by the Groups on Tariffs, Nontariff Measures (NTM), Tropical Products, Safeguards, and the NTM Subgroup on Subsidies and Countervailing Duties. All groups and subgroups are scheduled to hold more sessions this fall.

In the meantime, countries are preparing draft texts to be submitted to the Subgroup on Subsidies and Countervailing duties. Bilateral consultations are also being held on quantitative restrictions. Many developing countries are submitting request

lists for concessions on tropical products by developed countries. (*Barbara Blair*)

Grain Reserves

Technical discussions on an international system of nationally held grain reserves have been conducted by representatives of the principal grain-trading nations during the past year, but agreement has not yet been reached on the details of such a reserve system.

Secretary of State Kissinger, in an address delivered to the U.N. General Assembly on September 1, declared that it was time to create this reserve system and proposed that total world reserves of wheat and rice must reach at least 30 million tons to meet virtually all potential shortfalls in food grain production. He also stated that consideration should be given to whether a similar reserve is needed for coarse grains. He proposed that responsibility for holding reserves should be allocated fairly among participating countries, taking into account wealth, production, and trade, and noted that the United States was prepared to hold a major share. He advocated extending special assistance to the developing countries that participate to enable them to meet their obligation to hold a portion of global reserves.

Secretary Kissinger stated that the acquisition and release of reserves should be governed by quantitative standards such as anticipated surpluses and shortfalls in production. He advocated that full participants in the system should receive assured access to supplies, and noted that, among major producers, full participation should require complete exchange of information and forecasts. (*W. Scott Steele*)

Agricultural Development Assistance

Secretary Kissinger also announced in his U.N. speech that President Ford would seek congressional authorization of a \$200-million direct U.S. contribution to the proposed International Fund for Agricultural Development (IFAD), provided that other countries will add their support for a combined goal of at least \$1 billion. The IFAD was proposed by between their needs and their own production—a gap that food aid cannot possibly fill completely.

He also stated that traditional bilateral aid programs for agriculture remained indispensable, the developing countries, including members of the Organization of Petroleum Exporting Countries (OPEC), at the World Food Conference. The Secretary noted that massive new concessional resources need to be mobilized to expand agricultural production in the poorest countries because of the growing gap

and announced that President Ford is asking Congress to authorize a doubling of U.S. bilateral

agricultural assistance this year to \$582 million. (Richard M. Kennedy)

WORLD GRAIN SUPPLIES REMAIN TIGHT

Grain Production

Early September estimates of 1975/76 grain production indicate that despite record crops in a number of countries, including the United States, many of the countries of Western and Eastern Europe as well as the Soviet Union are likely to face short supplies. Production shortfalls in these 3 regions are expected to tighten world supplies and keep world prices high, although not as high as in 1972/73 and 1974/75. Production of wheat, milled rice, and the major coarse grains (corn, barley, rye, oats, and sorghum) in 1975/76 is currently estimated at 1,179 million tons or some 48 million tons less than optimistic spring forecasts. But while this year's grain crops probably will fall well below the indicated trend level of 1,210 million tons, 1975/76 production is still likely to be well above last year's 1,144 million tons (figure 4 and tables 7 and 8).

World wheat production is currently estimated at 358 million tons (figure 5 and table 9) while production of the major coarse grains is estimated at

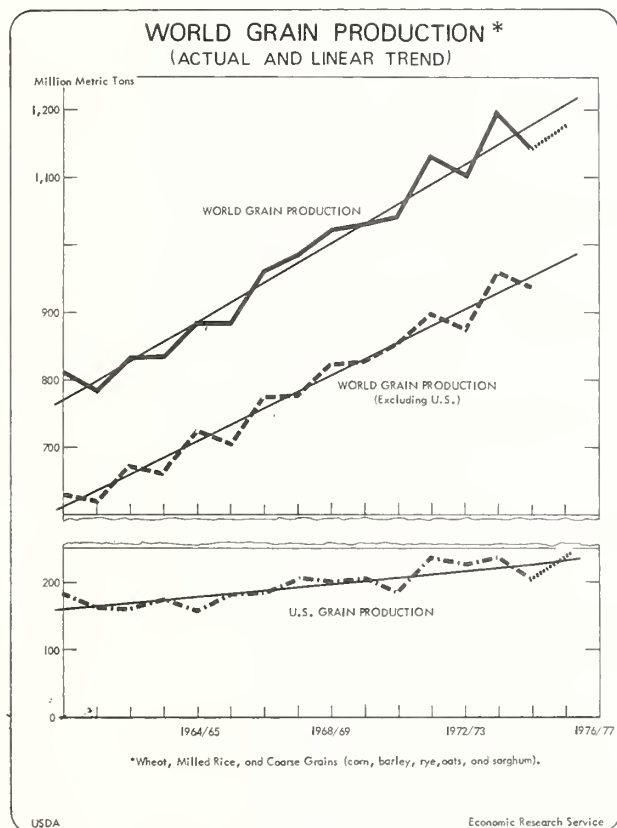


Figure 4

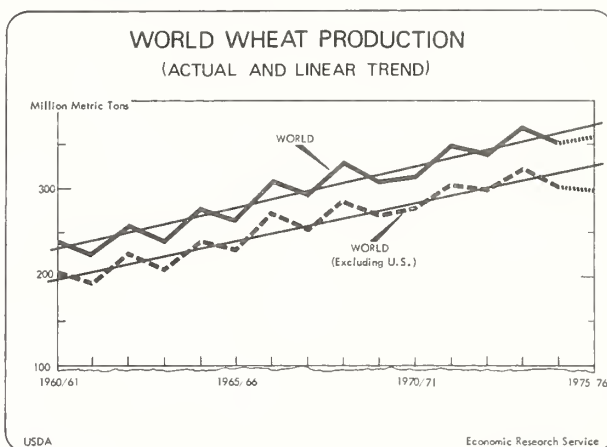


Figure 5

Prospects for the world rice crop and *minor coarse grain crops*,⁴ however, continue to remain good. Current estimates put this year's rice crop at a record 591 million tons (figure 6 and table 10). Deterioration in world wheat and major coarse grain crop prospects since early summer have been concentrated in countries feeding well over half of their grain to livestock and in soft or utility grades of wheat and coarse grain used largely for feed.

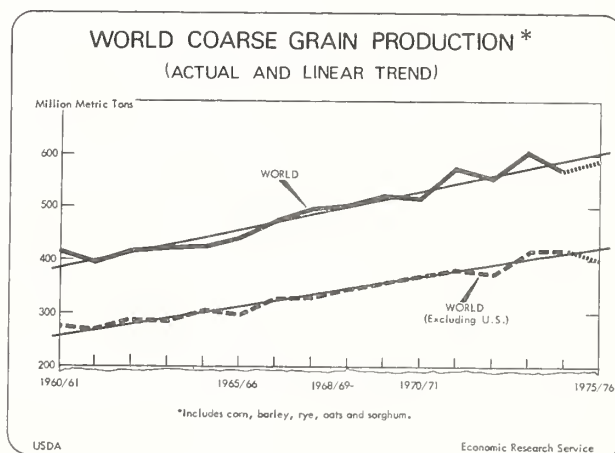


Figure 6

⁴Minor coarse grains are not included in the definitions of coarse grain and world grain production—used in the text and in tables 7, 8, and 10 and figure 4—because of generally poor data and the limited importance of such grains in national and international trade.

Table 7 ; World grain production deviation from 1960/61-1974/75 Linear trend

Table 7. World grain production deviation from 1960/61-1974/75 linear trend			
	Actual	Trend	Deviation
----- 1,000 Metric tons -----			
Total Grain			
1960/61-62/63	811	803	+8
1969/70-71/72	1070	1064	+6
1972/73	1102	1124	-22
1973/74	1197	1152	+45
1974/75	1145	1181	-36
1975/76	1179	1210	-31
Wheat			
1960/61-62/63	241	240	+1
1969/70-71/72	323	326	-3
1972/73	339	346	-7
1973/74	369	355	+14
1974/75	351	365	-14
1975/76	357	374	-17
Coarse Grain			
1960/61-62/63	410	402	+8
1969/70-71/72	539	534	+5
1972/73	559	564	-5
1973/74	608	578	+30
1974/75	571	593	-22
1975/76	592	608	-16
Rice			
1960/61-62/63	157	161	-4
1969/70-71/72	208	204	+4
1972/73	204	214	-10
1973/74	220	219	+1
1974/75	223	223	0
1975/76	230	228	+2

Source: FDCD/ERS/USDA

Table 8--World grain production, consumption and net exports 1/

	1960/61-62/63			1969/70-71/72			1973/74			1974/75			1975/76		
	Production	Consumption	Net exports	Production	Consumption	Net exports	Production	Consumption	Net exports	Production	Consumption	Net exports	Production	Consumption	Net exports
	Thousand metric tons			Thousand metric tons			Thousand metric tons			Thousand metric tons			Thousand metric tons		
Developed	314,731	299,593	19,906	399,218	374,538	30,336	448,537	398,979	57,523	416,387	366,448	54,466	451,843	379,495	68,136
United States	268,242	139,667	32,756	208,733	169,004	39,776	236,055	177,986	72,875	202,880	144,090	63,718	245,170	154,500	79,795
Canada	14,222	9,700	9,700	32,394	20,143	14,844	34,889	21,109	12,892	29,812	21,885	12,057	33,853	22,180	13,150
EC-9	21,870	90,870	-21,678	31,177	110,752	-16,958	105,528	117,046	-13,262	108,121	116,171	-11,840	100,351	116,735	-11,398
Other Western Europe	20,176	24,993	-4,374	28,661	33,311	-4,955	29,239	37,941	-8,242	33,610	39,609	-6,863	33,626	40,006	-6,338
South Africa	4,710	6,867	-2,198	6,867	8,880	-2,013	13,750	7,970	-4,002	12,799	8,221	-3,495	11,390	8,664	-2,411
Japan	15,535	20,794	-5,357	12,684	28,011	-14,415	11,534	30,281	-19,224	11,702	29,926	-18,174	11,772	30,403	-18,650
Australia/New Zealand	6,726	4,837	6,641	14,902	6,237	10,739	6,646	6,646	9,482	17,463	6,546	12,073	15,681	7,007	8,948
Centrally Planned	275,628	278,671	-3,061	375,264	391,239	-6,678	437,807	442,061	-16,282	422,769	443,400	-12,771	402,419	438,953	-30,469
Eastern Europe	56,763	63,466	-6,721	73,749	81,538	-7,475	85,599	90,752	-5,181	89,008	95,764	-7,896	85,827	95,016	-46,224
U.S.S.R.	123,348	116,049	7,299	164,969	170,036	3,929	207,466	200,769	-3,303	181,869	191,349	-480	163,300	188,250	-22,050
Peoples Republic of China	95,517	99,156	-3,639	136,546	139,665	-3,119	144,742	150,540	-5,798	151,892	156,287	-4,395	153,292	155,587	-2,195
Developing	213,318	224,344	-12,034	288,836	302,239	-22,221	303,907	333,193	-33,185	299,505	338,424	-37,527	318,888	353,943	-33,942
Mexico and Central America	9,623	10,444	-950	15,801	17,003	-831	16,175	19,271	-3,765	15,167	20,206	-5,252	17,228	21,221	-4,011
Venezuela	514	893	-386	834	1,765	-952	641	2,008	-1,339	804	2,143	-1,283	971	2,245	-1,285
Brazil	13,970	15,923	-1,919	19,894	17,038	-765	22,600	24,217	-1,515	24,662	24,844	-253	25,824	25,604	120
Argentina	13,043	8,136	5,185	19,289	11,117	4,770	23,740	12,329	7,263	17,796	11,444	8,034	21,968	12,390	9,565
Other South America	5,651	6,812	-1,142	6,974	9,105	-2,107	7,028	10,248	-3,108	7,512	10,319	-2,721	8,148	10,835	-2,840
North Africa/Middle East	31,597	36,883	-5,532	41,436	49,286	-9,168	37,228	52,387	-13,654	41,804	56,586	-16,383	40,951	57,083	-15,786
Central Africa	13,155	14,029	-871	15,849	17,761	-1,914	15,133	17,445	-2,291	15,755	18,000	-2,224	16,433	18,863	-2,450
East Africa	5,344	5,191	152	7,138	7,061	-13	7,786	7,469	524	7,308	7,528	-340	7,320	7,441	-280
South Asia	82,456	87,688	-6,117	108,235	113,900	-6,084	117,644	125,276	-7,463	110,508	121,625	-9,237	118,774	130,209	-10,445
Southeast Asia	16,696	12,785	3,938	22,879	19,640	3,242	22,681	19,712	2,680	24,059	21,336	2,863	25,453	22,161	3,485
East Asia	21,269	25,560	-4,392	30,507	38,583	-8,399	33,251	42,831	-10,517	34,130	44,393	-10,731	35,818	45,891	-10,015
Rest of World	4,789	5,733	-944	5,232	5,671	-402	5,195	5,778	-583	5,585	6,155	-570	6,195	8,280	-2,085
World Total 2/	808,466	808,341	155	1,068,550	1,073,687	-1,137	1,195,466	1,180,011	-1,545	1,143,926	1,154,427	-110,501	1,179,345	1,180,671	-10,326

1/ Wheat, rice (milled basis), and five major coarse grains (barley, corn, oats, rye, and sorghum).
 2/ World totals taken from the Foreign Agricultural Service's Foreign Agricultural Circular on Grains. Regional totals may not sum to totals due to variations in country and commodity coverage and rounding. Regional country composition follows:

- I. Developed
- Other Western Europe (Austria, Finland, Greece, Iceland, Malta, Norway, Portugal, Spain, Sweden, Switzerland).
 - South Africa (Republic of South Africa, Botswana, Lesotho, Namibia, Swaziland).
- II. Centrally Planned
- East Europe (Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland, Romania, Yugoslavia).
- III. Less Developed
- East Asia
 - a. Indonesia
 - b. High Income East Asia (Hong Kong, Singapore, South Korea, Taiwan, Brunei).
 - c. Low Income East Asia (Philippines, Malaysia).
 - South East Asia
 - a. Thailand
 - b. Other South East Asia (Burma, Khmer, Laos, South Vietnam).
 - South Asia
 - a. India
 - b. Other South Asia (Afghanistan, Bangladesh, Bhutan, Nepal, Pakistan, Sri Lanka).
 - North Africa/Middle East
 - a. High Income (Algeria, Bahrain, Cyprus, Iran, Iraq, Kuwait, Libya, Oman, Qatar, Saudi Arabia, United Arab Emirates).
 - b. Low Income (Egypt, Jordan, Lebanon, Morocco, Sudan, Syria, Tunisia, Turkey, Yemen (Sana'), Yemen (Aden)).
 - Central Africa (Angola, Botswana, Cameroon, Central Africa, Chad, Congo, Dahomey, Ethiopia, Gabon, Guinea, Ivory Coast, Liberia, Mali, Mauritania, Mauritius, Niger, Nigeria, Reunion, Rwanda, Senegal, Sierra Leone, Somalia, Spanish Sahara, Togo, Upper Volta, Zaïre).
 - East Africa (Kenya, Uganda, Tanzania, Zambia, Rhodesia, Malawi, Mozambique).
 - Other South America (Bolivia, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Surinam, Uruguay).

Table 9. World wheat production, consumption, and net exports
(Thousand metric tons)

	1960/61-1962/63			1969/70-1971/72			1973/74			1974/75			1975/76		
	Production	Consumption	Net Exports	Production	Consumption	Net Exports	Production	Consumption	Net Exports	Production	Consumption	Net Exports	Production	Consumption	Net Exports
Developed	94,068	74,215	21,204	111,789	87,576	28,505	127,864	86,270	43,340	133,119	87,652	44,911	135,910	87,316	47,446
United States	31,375	16,306	18,142	40,025	21,903	17,701	46,407	20,646	30,959	48,797	18,866	27,951	58,138	19,352	34,020
Canada	12,405	3,966	9,454	13,901	4,671	11,661	16,458	4,492	11,414	16,221	5,353	11,000	16,195	5,205	12,000
EC-9	28,667	35,870	-7,190	36,664	40,673	-3,666	41,391	40,139	-1,400	45,108	41,576	11,729	39,560	40,866	1,267
Other Western Europe	8,463	10,539	-2,065	9,885	10,763	-777	9,385	9,962	-871	11,248	10,791	+189	10,234	10,550	-266
South Africa	782	914	-133	1,461	1,310	-59	1,871	1,561	-422	1,610	1,600	+72	1,740	1,743	--
Japan	1,648	4,247	-2,683	557	5,253	-4,696	202	5,585	-5,323	232	5,592	-5,380	260	5,630	-5,505
Australia/New Zealand	7,748	2,373	5,679	9,316	3,003	8,321	12,150	3,885	6,879	11,903	3,860	9,350	9,803	3,970	5,330
Centrally Planned	103,585	108,194	-4,288	146,901	158,439	-3,678	171,414	171,570	-9,235	169,120	161,981	-7,110	147,500	165,215	-16,190
Eastern Europe	17,231	23,012	-5,460	26,260	31,016	-4,563	31,480	35,550	-4,169	34,071	35,837	-3,015	30,000	36,020	-3,195
U.S.S.R.	67,187	62,175	5,012	92,804	95,621	4,800	109,784	100,230	554	83,849	89,249	1,500	85,000	94,500	-9,500
People's Republic of China	19,167	23,007	-3,840	27,837	31,752	-3,915	30,150	35,790	-5,640	31,200	36,895	-5,695	32,500	34,695	-3,495
Developing	43,368	57,517	-14,713	65,472	84,530	-25,235	68,865	99,740	-29,066	68,140	99,818	-31,960	73,156	106,942	-33,959
East Asia	313	2,068	-1,770	351	4,358	-4,128	163	4,341	-4,652	136	4,592	-4,650	150	4,660	-4,735
Indonesia	--	112	-112	--	511	-542	--	819	-1,156	--	878	-1,100	--	890	-1,100
South East Asia	13	201	-189	34	423	-390	24	283	-259	40	389	-347	40	446	-417
Thailand	--	33	-33	--	69	-71	--	93	-93	--	100	-102	--	104	-115
South Asia	17,490	22,112	-5,109	30,446	34,048	-4,751	36,049	44,765	-6,688	32,912	42,145	-8,575	36,399	46,857	-10,828
India	11,130	14,311	-3,381	20,359	22,436	-2,611	24,735	30,178	-5,443	22,072	27,372	-5,200	25,800	31,800	-5,000
North Africa/Middle East	15,647	20,329	-4,910	22,297	28,238	-7,919	19,658	30,901	-9,954	21,524	32,492	-12,353	21,768	33,933	-11,769
High Income	5,045	6,532	-1,458	6,529	9,028	-2,435	6,469	10,280	-3,780	6,971	11,266	-5,610	6,515	12,025	-4,630
Central Africa	669	1,100	-428	862	2,006	-1,148	867	2,156	-1,264	810	2,215	-1,382	899	2,364	-1,483
East Africa	113	149	-40	251	274	-4	199	309	-115	209	347	-185	210	351	-115
Mexico/Central America	1,375	1,886	-554	2,060	2,906	-809	2,039	3,563	-1,596	2,238	3,842	-1,628	2,691	4,124	-1,448
Venezuela	1	331	-330	1	708	-707	1	634	-598	1	682	-650	1	701	-700
Brazil	655	2,819	-2,164	1,358	3,375	-1,897	1,928	4,450	-2,810	2,820	4,742	-2,028	3,000	5,000	-1,900
Argentina	5,208	3,569	1,869	5,873	4,393	-1,640	6,360	4,255	1,548	5,700	4,301	2,125	6,200	4,300	1,900
Other South America	1,884	2,953	-1,088	1,939	3,801	-1,842	1,377	4,083	-2,678	1,750	4,071	-2,287	1,798	4,206	-2,464
Rest of World	214	825	-611	316	2,165	-1,849	370	2,488	-2,118	370	2,015	-1,645	370	2,015	-1,645
Total Above	241,235	240,751	324,478	324,478	332,710	-368,513	368,513	360,068	-350,749	351,466	-356,936	361,488			

Table 10- World coarse grain production, consumption and net trade 1/

	1960/61-62/63			1969/70-71/72			1973/74			1974/75			1975/76		
	: Production:	: Consumption:	: Net trade 1/	: Production:	: Consumption:	: Net trade	: Production:	: Consumption:	: Net trade	: Production:	: Consumption:	: Net trade	: Production:	: Consumption:	: Net trade
	Thousand metric tons														
Developed	206,070	210,706	-1,669	271,848	272,477	-272	305,087	298,938	12,406	266,846	264,896	7,616	299,102	278,076	18,387
United States	133,000	122,516	13,592	165,830	145,787	20,356	186,575	156,125	40,270	150,305	123,896	33,327	182,900	133,800	43,375
Canada	10,465	10,225	277	18,493	15,412	3,243	18,431	16,358	1,537	15,591	16,472	1,117	17,658	17,915	-1,210
EC-9	39,967	54,216	-14,268	55,872	69,329	-13,223	63,358	76,036	-13,103	62,278	73,890	-13,532	60,061	76,915	-12,605
Other Western Europe	11,274	13,350	-2,144	18,326	22,231	-4,111	19,428	27,091	-8,294	21,942	28,328	-6,962	22,982	28,966	-6,012
South Africa	6,201	3,744	2,382	7,205	5,493	1,440	11,869	6,314	3,665	11,179	6,521	3,963	9,640	6,821	2,721
Japan	2,274	4,681	-2,421	727	11,052	-10,265	276	13,770	-14,111	13,194	-12,820	284	13,478	13,120	318
Australia/New Zealand	2,889	1,974	913	5,395	3,173	2,288	5,150	2,644	2,442	5,267	2,595	2,523	5,598	2,947	2,618
Centrally Planned	119,956	118,889	728	155,491	160,231	-3,303	188,298	194,003	-8,654	192,049	201,441	-7,283	173,159	191,198	-15,899
Eastern Europe	39,442	40,116	-1,013	47,342	50,119	-2,656	53,977	54,817	-789	54,779	59,541	-4,653	55,667	58,606	-2,799
U.S.S.R.	56,002	53,539	2,463	71,334	73,216	-553	96,535	99,342	-5,807	96,778	100,808	-2,030	77,000	91,500	-12,500
People's Republic of China	24,512	25,234	-722	36,815	36,896	-94	37,786	39,844	-2,053	40,492	41,092	-600	40,492	41,092	-600
Developing	83,750	80,485	2,821	108,638	99,830	5,410	113,886	109,863	2,957	112,118	113,530	-1,467	120,014	117,519	1,882
East Asia	5,371	5,746	-461	6,675	7,980	-1,507	7,130	9,234	-2,872	7,216	10,051	-2,981	7,928	10,571	-2,800
Indonesia	2,662	2,661	1	2,575	2,299	201	2,912	2,441	145	3,098	2,544	200	3,115	2,612	250
Southeast Asia	839	121	746	2,310	525	1,789	2,752	603	2,304	2,909	729	2,110	3,313	955	2,402
Thailand	602	13	610	2,083	239	1,848	2,520	356	2,319	2,680	480	2,130	3,100	694	2,450
South Asia	19,214	18,959	143	20,200	20,646	-449	20,157	21,000	-928	20,686	21,030	-567	21,645	22,362	-717
India	16,441	16,174	143	17,244	17,721	-110	17,013	11,884	-450	17,627	17,927	-550	18,500	19,200	-700
North Africa/Middle East	14,226	14,798	-590	16,333	18,222	-1,229	14,883	17,601	-2,502	17,610	19,924	-2,530	16,483	18,850	-2,417
High Income	2,906	3,228	-1,120	2,592	3,722	-1,139	2,288	3,972	-1,737	2,719	4,596	-1,912	2,718	4,420	-1,807
Central Africa	10,515	10,522	-7	12,119	12,192	-71	11,171	11,494	-327	11,835	11,975	-142	12,234	12,499	-267
East Africa	5,087	4,875	215	6,673	6,532	12	7,314	6,880	650	6,865	6,931	-140	6,840	6,810	-155
Mexico/Central America	7,762	7,985	-309	13,022	13,245	111	13,346	14,784	-2,035	12,152	15,449	-3,489	13,737	16,172	-2,438
Venezuela	466	509	-50	702	943	-262	469	1,205	-743	643	1,296	-703	710	1,362	-665
Brazil	9,746	9,599	181	13,787	8,958	1,064	15,572	14,567	1,475	16,492	14,632	1,740	17,324	15,134	1,990
Argentina	7,718	4,472	3,294	13,184	6,562	6,340	17,006	7,924	8,673	11,863	5,834	5,834	15,300	7,925	7,575
Other South America	2,806	2,899	-55	3,633	4,025	-388	4,086	4,571	-536	3,877	4,528	-599	4,300	4,879	-626
Rest of World	158	279	-121	117	313	-159	125	418	-293	125	415	-290	125	415	-290
Total above	409,934	410,359	-425	536,094	532,851	313	607,396	603,222	418	571,138	580,282	-415	592,402	587,208	5,194
World 2/															

1/ Five major coarse grains (barley, corn, oats, rye, and sorghum).

2/ World totals taken from the Foreign Agricultural Service's Foreign Agricultural Circular on Grains. Regional totals may not sum to totals due to variations in country and commodity coverage and rounding.

230 million tons (milled basis) or above both last year and the 1960/61-74/75 trend (figure 9 and table 11). Production of minor coarse grains is estimated at 61 million tons or 7 million tons above last year's level and 2 million tons above the 1973/74 record (table 12).

Virtually all of this year's poor wheat and coarse grain crops have been concentrated in the Soviet Union and Europe. Production of wheat outside these three areas is up 19 million tons or 11 percent from last year's record; production of the major coarse grains outside these areas has rebounded 42 million tons from last year's depressed level to a new record some 4 million tons higher than the old 1973/74 peak.

The situation in the Soviet Union and Europe—where some 50 percent of the world's wheat, 36 percent of the world's coarse grain, and 1 percent of the world's rice are produced—is quite different (figure 7). Production of wheat, rice, and the major coarse grains in the Soviet Union is now expected to be approximately 163 million tons or 19 million tons below 1974/75. Using the Soviet definition of grains, which includes minor coarse grains and pulses, this year's total is forecast at 175 million tons or about 40 million tons below plan and 20 million tons less than in 1974/75.

Grain production in Eastern and Western Europe has also suffered from adverse weather. Production in Western Europe is estimated at 134 million tons, down 8 and 10 million tons, respectively, from last year's record and the long-term trend. Most of the drop to date is expected to be in soft wheat production with additional drops in coarse grain. Grain production in Eastern Europe, excluding minor coarse grains averaging 1.5 to 2.5 million tons per year, is forecast at 85 million tons compared with 89 last year. Deterioration to date has been due largely to flooding in Romania and adverse June and July weather elsewhere in the region.

Grain crops in nearly all of the developing countries and the People's Republic of China are expected to reach record highs. Forecasts put total grain production in the developing countries at 314 million tons compared with 294 million tons last year. A large part of this year's rebound in developing country production from last year's poor crop is concentrated in wheat produced in South Asia but more generally in coarse grains grown throughout Asia, Latin America, and parts of Africa south of the Sahara. Particularly marked growth is expected in rice production in Asia. Harvest of these crops will not be complete, however, until late 1975 for rice and early 1976 for Southern Hemisphere wheat, rice and coarse grains.

Record wheat, rice and coarse grain crops are expected to at least temporarily reverse a 4-year deterioration in per capita production in the developing countries. While this year's crops are expected to be a full 5 percent higher than any previous record, this year's per capita level is expected to be about the same as in 1973/74 but below the record hit during the 3 years of extended good weather from 1966/70 to 1971/72 (table 13). Population in the intervening years since 1970/71 has grown over 13 percent, accounting for the lack of any growth and the actual deterioration in per capita levels in many countries.

Grain Usage Adjustments

Adjustments to this year's disappointing grain crops in the USSR and Eastern and Western Europe are likely to take the form of increased imports, changes in consumption, shifts in grain usage patterns or stock drawdowns.

Despite the estimated shortfall in Soviet grain production, utilization of grain in the USSR during 1975/76 is expected to remain close to the 1974/75 level, if imports approximate some 25 million tons and some adjustments are made in stocks and exports. Feed use may increase slightly although less than anticipated earlier.

Adjustments in Eastern and Western Europe are likely to center on changes in domestic usage and stock drawdowns rather than large imports. Net imports into both Eastern and Western Europe could

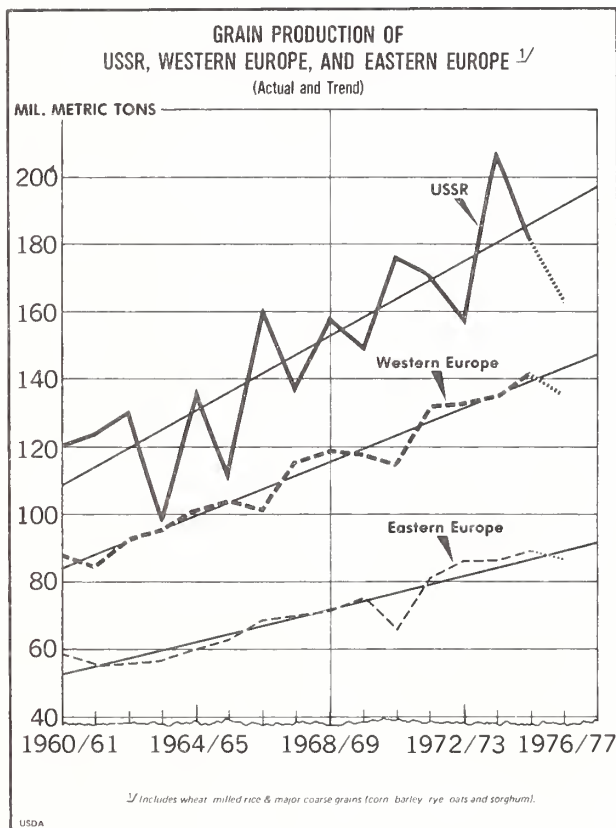


Figure 7

September 1, 1975

Table 11.---World milled rice production, disappearance and net trade 1/

Country and region	1960/61-1962/63			1969/70-1971/72			1973/74			1974/75			1975/76		
	Production	Disap- pearance	Net exports	Production	Disap- pearance	Net exports	Production	Disap- pearance	Net exports	Production	Disap- pearance	Net exports	Production	Disap- pearance	Net exports
Developed	14,593	14,222	371	15,581	14,485	2,103	15,606	13,771	1,777	16,422	13,900	2,416	16,831	14,103	2,705
United States	1,867	845	1,022	2,878	1,314	1,719	3,073	1,215	1,646	3,778	1,308	2,440	4,132	1,348	2,400
Canada	---	31	-31	---	60	-60	---	59	60	---	---	-60	---	60	-60
EC-9	584	784	-200	661	750	-89	779	871	-19	735	711	-37	730	720	-40
Other Western Europe	439	604	-165	450	517	-67	426	488	-77	420	490	-63	410	490	-80
South Africa	---	52	-51	---	77	-76	---	95	-85	---	100	-90	---	100	-90
Japan	11,613	11,866	-253	11,400	11,706	546	11,056	10,926	210	11,186	11,140	26	11,269	11,295	-25
Australia & New Zealand	89	40	49	191	61	130	262	117	161	293	91	200	280	90	200
Centrally Planned	52,087	51,588	499	72,872	72,569	303	78,095	7,488	1,607	81,600	79,078	1,622	81,760	81,540	1,620
Eastern Europe	90	338	-248	147	403	-256	142	385	-243	158	386	-228	160	390	-230
USSR	159	335	-176	831	1,149	-318	1,117	1,197	-50	1,242	1,292	-50	1,300	1,350	-50
China 2/	51,838	50,915	923	71,894	71,017	877	76,806	74,906	1,900	80,200	78,300	1,900	80,300	79,800	1,900
Developing	86,200	86,342	-142	114,726	117,879	-2,356	121,156	123,590	-4,078	119,447	125,376	-4,400	126,128	130,192	-3,165
Mexico/Central America	486	573	-87	719	852	-133	790	924	-134	777	913	-135	800	925	-125
Venezuela	47	53	6	131	114	17	171	169	2	190	165	70	260	182	80
Brazil	3,569	3,505	64	4,749	4,705	68	5,100	5,200	20	5,350	5,470	35	5,500	5,470	30
Argentina	117	95	22	232	162	70	174	150	42	433	158	75	268	165	90
Other South America	961	960	1	1,402	1,279	123	1,565	1,594	106	1,885	1,720	165	2,050	1,750	250
North Africa/Middle East	1,724	1,756	-32	2,806	2,826	-20	2,687	3,885	-1,198	2,670	4,170	-1,500	2,700	4,300	-1,600
Central Africa	1,071	2,407	-436	2,868	3,363	-695	3,095	3,795	-700	3,110	3,810	-700	3,300	4,000	-700
East Africa	144	167	-23	214	235	-21	273	280	-11	234	230	-15	270	280	-10
South Asia	45,752	46,617	-865	57,589	59,206	-844	61,438	59,511	153	56,910	58,750	-395	61,140	61,700	-500
Southeast Asia	13,844	12,463	3,381	20,535	18,692	1,843	19,995	18,826	635	21,110	20,218	1,100	22,100	20,760	1,300
East Asia 3/	15,385	17,746	-2,361	23,481	26,245	-2,764	25,958	29,256	-2,993	26,778	29,750	-3,100	27,740	30,660	-2,480
Rest of World	4,417	4,629	-212	5,115	5,358	-243	5,070	5,360	-290	5,460	5,740	-280	5,700	5,850	-150
World total	157,297	156,781	516	208,294	210,291	-193	219,927	219,209	-984	222,929	224,994	-642	230,419	231,685	610

1/ Production primarily in initial calendar year combined with trade in the following year to get disappearance in year shown. Disappearance estimates include the effect of stock variations.

2/ Rice production series for China has been recently revised. For detailed explanation see ENS, The Agricultural Situation in the People's Republic of China, 1974/75, forthcoming. Trade excludes exports to North Vietnam estimated at over 300,000 tons annually in recent years.

3/ Reflects revised Indonesia production series.

September 1, 1975

Table 12. World Minor Coarse Grain Production 1/

	: 1960/61- : 62/63	: 1969/70 : 71/72	: 1972/73	: 1973/74	: 1974/75	: 1975/76
	1,000 metric tons					
Developed	: 4,775.2	: 4,871.2	: 4,918.5	: 4,601.8	: 4,328.6	: 4,477.4
United States	: 0	: 0	: 0	: 0	: 0	: 0
Canada	: 1,337.7	: 2,052.9	: 2,165.9	: 2,010.0	: 1,673.0	: 2,000.0
EC-9	: 2,649.5	: 2,381.8	: 2,336.3	: 2,202.0	: 2,164.0	: 2,034.2
Other Western Europe	: 638.8	: 366.4	: 348.3	: 316.8	: 422.6	: 374.2
South Africa	: 0	: 0	: 0	: 0	: 0	: 0
Japan	: 106.8	: 31.4	: 30.0	: 28.0	: 24.0	: 24.0
Australia-New Zealand	: 42.4	: 38.7	: 38.0	: 45.0	: 45.0	: 45.0
Centrally Planned	: 18,572.9	: 31,896.5	: 28,755.0	: 35,594.2	: 33,836.0	: 36,535.0
Eastern Europe	: 1,128.5	: 1,256.8	: 1,542.0	: 1,705.2	: 1,706.0	: 1,535.0
USSR	: 3,993.7	: 3,852.7	: 3,100.0	: 5,999.0	: 4,334.0	: 5,000.0
People's Republic of China	: 13,450.7	: 26,787.0	: 24,113.0	: 27,890.0	: 27,796.0	: 30,000.0
Developing	: 15,673.8	: 19,122.5	: 15,947.1	: 19,254.9	: 16,040.5	: 20,211.4
Mexico/Central America	: 0	: 0	: 0	: 0	: 0	: 0
Venezuela	: 0	: 0	: 0	: 0	: 0	: 0
Brazil	: 0	: 0	: 0	: 0	: 0	: 0
Argentina	: 210.3	: 137.7	: 227.0	: 228.5	: 233.0	: 250.0
Other South America	: 26.1	: 9.0	: 7.8	: 8.4	: 8.4	: 8.4
North Africa/Middle East	: 766.1	: 791.8	: 763.9	: 618.0	: 686.0	: 747.0
Central Africa	: 4,231.6	: 4,739.4	: 4,204.0	: 4,138.2	: 4,884.9	: 5,000.0
East Africa	: 2,238.0	: 2,660.7	: 2,705.0	: 2,551.0	: 2,620.0	: 2,600.0
South Asia	: 8,049.7	: 10,651.2	: 7,919.0	: 11,582.0	: 7,475.0	: 11,458.0
India	: 7,555.7	: 10,181.3	: 7,404.0	: 11,081.0	: 7,100.0	: 11,000.0
South East Asia	: 53.6	: 49.8	: 50.0	: 50.0	: 52.0	: 60.0
Thailand	: 0	: 0	: 0	: 0	: 0	: 0
East Asia	: 98.4	: 82.9	: 70.4	: 78.8	: 81.2	: 88.0
Total above	: 39,021.9	: 55,890.2	: 49,620.6	: 59,450.9	: 54,205.1	: 61,223.8

1/ Includes millets and other small and mixed grains.

Source: FDCE/ERS/USDA.

Table 13 . World Per Capita Grain Production 1/

	Wheat	Rice (milled)	Major Coarse Grains	Total Grains 2/	Minor Coarse Grain	Total 3/
		-----kilograms-----				
Developed Countries						
1960/61-62/63	146	23	321	490	7	497
1969/70-71/72	158	22	385	565	7	572
1973/74	176	21	420	617	6	623
1974/75	182	22	364	568	6	574
1975/76	185	23	413	621	6	627
Developing Countries						
1960/61-62/63	30	60	59	149	11	160
1969/70-71/72	37	64	61	162	11	173
1973/74	36	63	59	158	10	168
1974/75	35	60	57	152	8	160
1975/76	36	63	59	158	10	168
World						
1960/61-62/63	79	52	134	265	13	278
1969/70-71/72	90	58	148	296	15	311
1973/74	96	57	159	312	16	328
1974/75	90	57	147	294	14	308
1975/76	91	58	151	300	15	315
USSR, Eastern and Western Europe						
1960/61-62/63	189	2	227	418	13	431
1969/70-71/72	236	3	275	514	11	525
1973/74	267	3	325	595	14	609
1974/75	241	4	326	570	12	582
1975/76	229	4	290	523	12	535
India						
1960/61-62/63	24	75	35	134	16	150
1969/70-71/72	35	73	30	138	18	156
1973/74	41	73	28	142	18	160
1974/75	36	64	29	129	12	141
1975/76	41	72	29	142	17	159

NOTE: Per capita figures quoted above are rough measure best suited to gauging year to year changes and approximate levels. Frequent changes in population estimates and grain production totals preclude any more precise quotation.

1/ Calculated using mid calendar year population (See: World Population By Country, 1950-1974, FDCD/ERS/USDA)

2/ Total including wheat, milled rice and major coarse grains quoted in tables 8 to 11.

3/ Total includes minor coarse grains quoted in Table 12.

possibly be at or below last year's level. East European consumption is expected to fall slightly with the remainder of the production shortfall made up through stock drawdowns. West European consumption is expected to increase a million tons or roughly 1 percent as stocks are drawn down 4 to 5 million tons from last year's record high of 24 million tons. Grain usage patterns are likely to change as narrowing wheat and coarse grain prices make it profitable—particularly for the European Community—to feed more domestic soft wheat and limit coarse grain imports rather than to export surplus wheat and to import deficit feed grains.

Outside of these three regions, consumption is expected to exceed 740 million tons and account for roughly two-thirds of the world total. Consumption is expected to increase at about the same rate as in the early 1970's due to a modest recovery in world economic conditions in general and to population growth and improving feed-livestock price ratios in particular.

Consumption of grain in the major exporting countries—the United States, Canada, Australia, Argentina, South Africa, and Thailand—is expected to increase about 30 million tons, or approximately 15 percent from last year's depressed level. While nonfeed use in these countries likely will be at record highs in 1975/76, use of grain for feed may lag somewhat below the 1972/73 peak due to the only partial recovery in the U.S. livestock industry. Grain feeding in the U.S. is projected at about 80 percent of the 1972/73 record, compared with 73 percent last year.

Even the modest recovery in feeding in the exporting countries forecast for this year depends to a large extent on how high domestic feed wheat and coarse grain prices rise in response to this year's record world import demand. Strong world import demand concentrated in the Soviet Union as well as in more traditional commercial markets in Europe and East Asia is expected to push grain exports from these six major exporting countries to approximately 115 million tons or four-fifths of the world total. Ending stocks for the group are expected to increase 10 to 15 million tons—about 25 to 30 percent above their 1975/76 low carry-in level. The bulk of this increase however, is due to accumulation of coarse grain stocks in the United States.

The grain supply situation in the remainder of the world—Japan, China, and the developing countries—is expected to improve considerably.

Japanese wheat and coarse grain consumption is expected to increase 500,000 tons from last year's depressed level, but to remain slightly below the 1973/74 peak despite some increased nonfeed usage because of lagging recovery in feed usage. Rice consumption is expected to remain at about the same level as in 1974/75. Japanese imports of wheat and coarse grain are also expected to increase by up to

500,000 tons but will remain roughly 1 million tons below the peak 1973/74 level.

Bumper domestic production is expected to enable the developing countries to keep imports 5 to 6 million tons below 1974/75's record 36 million tons. But any return to the 20-million-ton levels of the late 1960's and early 1970's is virtually impossible unless per capita consumption levels are reduced 5 to 10 kilograms per capita. Maintaining or improving the record per capita consumption levels likely to be reached this year or in the medium-term future depends on the precarious combination of excellent crop prospects at home and imports of upwards of 40 to 45 million tons from abroad.

World Trade and Ending Stocks

This year's record Soviet grain imports, combined with shipments of 30 to 35 million tons to the developing countries and 85 to 90 million tons to traditional importers in the developed countries, are (as of September 1) likely to push world grain trade above the 1973/74 record to a new peak of 140 to 145 million tons. As in the last 3 years, roughly three-fifths of this total will be made up of coarse grain and utility grades of wheat destined for feeding. Of the remaining two-fifths, less than 8 million tons is likely to be milled rice with the remainder made up of food wheat.

Large supplies available for export, particularly in the United States, will allow the major exporters to meet this level of import demand—despite their low stocks—at prices expected to be below the highs of 1974/75. At the same time, world ending wheat and coarse grain stocks (figure 8) are expected to be at or only slightly above the 1974/75 carryover level because of drawdowns in Europe and the Soviet Union will largely cancel out a buildup in the United States. Much of this year's relative supply flexibility—despite deteriorating crop prospects and

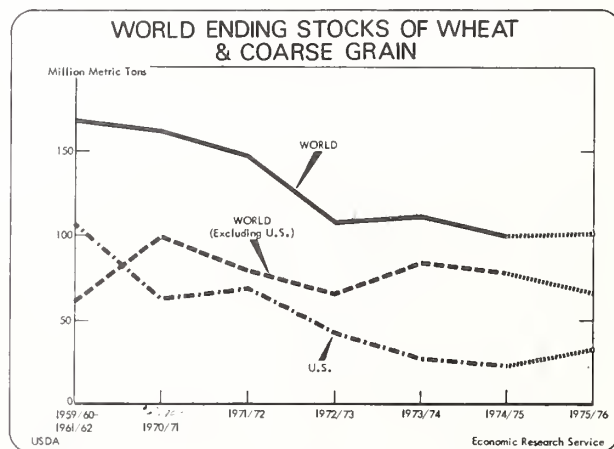


Figure 8

low stocks—is due to elasticity in the developed countries' demand for livestock feed. Grain prices are expected to remain high enough to dampen feeding

recovery in the U.S. and Japan and to slow growth in feed usage in the other developed countries despite improving feed-livestock price ratios. (P. M. O'Brien)

A GOOD RICE CROP IN PROSPECT

Production

With favorable weather, world rice output in 1975/76 can be expected to reach at least 230 million tons (milled), or about 4 percent above last year (table 11). This would be a record output over 2 million tons above the 1960-74 trend (figure 9 and table 7), and would permit some limited rebuilding of stocks over a wide range of countries, although to a level below that prior to the severe production shortfalls of 1972/73. Per capita rice availability in Asia would still be below the 1969-71 level, so a policy to raise stocks would mean continued stringent limitations on per capita rice consumption. With good crops in prospect for the major exporters and importers, prices are expected to soften. The volume of rice trade in 1976 may not be greater than in 1975.

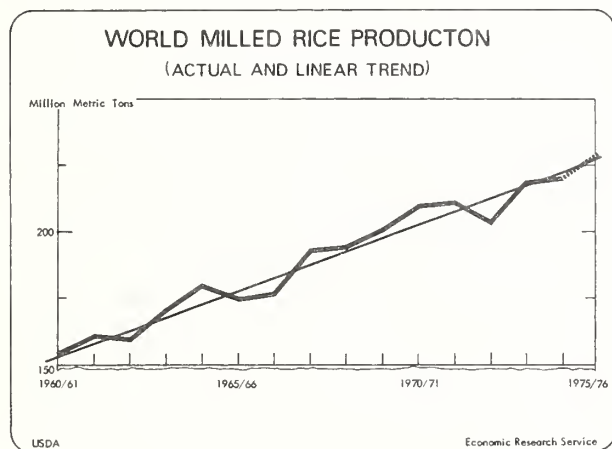


Figure 9

The above forecast assumes that China's production (one-third of world rice) would be about the same as, or possibly larger than last season, at 80.3 million tons. Excluding China, the world 1975/76 output estimate would be 150 million tons or 4 million tons above trend.

While the growth in world output is widely dispersed, the greatest production pickup is expected to occur in Asia, particularly in India where a gain of over 4 million tons is foreseen. However, most of the gain in India reflects a recovery from last year's poor-weather crop. India's forecast output of 44 million tons this season is up only 5 percent over the 1969-71 average output for an average annual growth of only 1 percent, far from sufficient to keep pace with population.

Total South Asia output is forecast at about 7 percent above last year, with Pakistan increasing by 10 percent to 2.6 million tons, Bangladesh up 8 percent, and Sri Lanka about the same as last year. Southeast Asia's rice crop is estimated to be about 4.5 percent higher, as Thailand heads for a record crop of 9.8 million tons. With the cessation of conflict in Indochina, rice production is expected to rise rapidly. Khmer Republic will need large quantities of rice until the 1975 crop is harvested (December 1975-January 1976); output may reach 1.5 million tons, 50 percent above 1974 but still 1 million tons below the 1969 record outturn.

In East Asia, rice production is forecast at about 3.5 percent above 1974/75. Indonesia's harvest could yield 15 million tons, the highest ever, for a gain of almost 5 percent. South Korea's output may be up almost 4 percent, Taiwan 6 percent, and the Philippines 2 percent.

For all of Asia (including China, North Korea, and all of Indochina), 1975 production is forecast at 208 million tons or about 3 percent higher than last year. Of the estimated world rice increase of about 8 million tons between 1974/75 and 1975/76, Asia (90 percent of world output) would contribute slightly over 80 percent.

Outside Asia, the greatest gain, about 9 percent, is expected in the United States where a record 4.1 million tons is predicted from 7 percent more acreage and 2 percent higher yields.

Trade

World rice exports in 1975 may total 7.6 million tons, excluding some 500,000 tons or more that China is exporting to Indochina and other unreported accounts. China recently secured 200,000 tons from Thailand for presumed delivery to the Khmer Republic. India has re-entered the rice trade with a 200,000-ton purchase from Thailand. Rice imports by the Middle East may reach over 1.5 million tons in 1975, a jump of over 30 percent since 1974, and nearly 3 times the 1969-71 average.

In 1976, the volume of rice trade is not likely to increase. East Asia will probably import less. Even with further expansion of the Middle East market (perhaps by 5 percent), world import demand will not likely keep pace with supplies, so prices will tend to weaken. The price of Thai rice (5 percent broken, f.o.b. Bangkok) averaged \$430 a ton in 1974 and is currently about \$350 a ton. (Robert D. Barry)

OILSEEDS IN PLENTIFUL SUPPLY

World economic conditions have seriously curtailed demand for meat and edible fats and oils which in turn has had a significant impact on oilseeds. Demand and supply factors for animal products are discussed in another section and need not be mentioned here other than to say demand for both meat and dairy products is not growing as fast as recent trends might have indicated. The same conditions have also affected vegetable oils with the result that consumption levels, as estimated by disappearance data, are below expectations.

World and regional supply, demand, and trade balance are presented in tables 14 and 15. These two tables contain balances for two historical periods (1969-71 average and calendar 1973), preliminary estimates for 1974 based on incomplete trade data, and tentative forecasts for 1975 and 1976—both of which include a large measure of subjective judgement. For 1975, these judgements are based on reported 1974 oilseed production plus early indications of trade and consumption patterns. For 1976, production estimates are based on past trends plus planting intentions where available. Estimates of trade and domestic disappearance for 1976 are based on past trends.

During 1974, large increases took place in oilmeal and vegetable oil production. For meals (table 14) the increase was just over 10 million tons, or one-sixth above 1973. That change resulted from large increases in the 1973 soybean crop in the United States and the 1974 soybean harvest in Brazil, plus a major recovery in the Peruvian fish catch. Since in 1973 domestic disappearance was down in the United States, Canada, EC-9, and other Western Europe, in retrospect it seems likely that even such a large increase in meal production could have been absorbed with little difficulty if optimum conditions for feeding of meal had existed. However, feeding conditions were less than optimum with the result that world stock levels rose.

Total oilmeal disappearance in 1974 was above the reduced 1973 level. Regionally, Japan was down from its 1973 levels largely as a result of problems in domestic meat production. The Soviet Union chose not to maintain its 1973 import level and suffered a decline in domestic disappearance. On the plus side, the EC-9, the United States, other Western Europe and South Asia had increases in 1974.

In calendar 1975, world oilmeal production is estimated to be roughly 5 million tons lower than in 1974. This shortfall represents a 6.6-million-ton decrease in the United States, partially offset by a 1.8-million-ton increase in other areas of the world, particularly production in Brazil and other parts of South America.

Despite the decrease in 1975 production for oilmeals, 1975 production is still above estimated

domestic disposition, and further stock buildup is expected. Regionally, only the United States expects a significant decrease in domestic disappearance in 1975. In the remainder of the developed world, as well as in most of the developing countries, small increases in disappearance are likely.

If normal yields are maintained, meal production in 1976 is expected to be over 6 million tons above 1975 and about a million tons above the record 1974 level. Most of that increase, approximately 4.3 million tons, will arise in the United States. Brazil, South Asia, and China are also forecast to have significantly larger production.

Domestic disappearance of meal in 1976 is forecast to be up about 3.4 million tons. Of this increase, the developed countries will account for slightly less than 2 million tons, while the developing and centrally planned regions will each account for approximately half the remainder. Disappearance in the United States is expected to increase, but it will still be below the 1969-71 average.

For vegetable oils, production patterns largely parallel those of meals. Differences arise because most recent variations in vegetable and production have been due to changes in output of soybeans, which have a very low oil meal ratio relative to most other oilseeds. Estimated total vegetable oil production was up 3.4 million tons in 1974 (table 15). The increase in U.S. soybean production accounted for about one-third of that total. Increased sunflower seed oil production in the USSR added almost as much as the U.S. increase; the remainder of the total production increase was scattered throughout the world.

Estimated consumption of vegetable oil in 1974 increased approximately 2 million tons. Brazil, the USSR and South Asia accounted for most of the change. Most other regions had small increases in line with past trends.

Similar to meal, world vegetable oil production is expected to decline somewhat in 1975. However, the decline of 1.3 million tons, is relatively less than that of meal (4 percent for oil and 7 percent for meal). Production in the United States is expected to be down 1.5 million tons, but will be partially offset by increases elsewhere, principally in Brazil. Improved conditions for peanuts in South Asia and Central Africa and continued increases in palm oil production will probably offset the declines suffered in other areas.

World vegetable oil consumption in 1975 is estimated to be down slightly. Nearly all that decrease is expected to occur in the United States where consumption is likely to be down nearly 10 percent. Excluding the United States, world disappearance is expected to equal the 1974 level.

Table 14.—World oilseed and fishmeal production, trade availability, (meal equivalent basis), 1969-71 average, 1973, 1974 forecast 1975 and 1976 1/

Country or region	1969-71 Averages					1973					1974 2/					1975 3/					1976 4/				
	Production	Net exports	Disappearance	Production	Net exports	Production	Net exports	Disappearance	Production	Net exports	Production	Net exports	Disappearance	Production	Net exports	Production	Net exports	Disappearance	Production	Net exports	Disappearance				
Developed																									
United States 5/	25.4	11.6	14.6	29.1	15.0	13.8	34.4	17.0	15.3	27.8	13.2	13.5	32.1	14.3	14.3	32.1	14.3	14.3	32.1	14.3	14.3				
Canada	1.3	0.4	0.9	1.3	0.8	0.8	1.3	0.5	0.8	1.2	0.5	0.8	1.4	0.6	0.6	1.4	0.6	0.8	1.4	0.6	0.8				
EC-9	1.1	-12.5	13.6	1.2	-13.4	14.6	1.2	-13.9	-15.1	1.2	14.6	15.6	1.2	14.6	15.6	1.2	14.6	15.6	1.2	14.6	15.6				
O. H. Europe	1.0	-1.9	2.9	1.2	-1.4	2.6	1.2	-1.8	3.0	1.2	-1.9	3.1	1.2	-2.1	3.1	1.2	-2.1	3.1	1.2	-2.1	3.1				
Japan	1.0	-2.7	3.8	1.2	-3.4	4.6	1.1	-2.9	4.1	1.2	-3.1	4.2	1.2	-3.4	4.2	1.2	-3.4	4.2	1.2	-3.4	4.2				
Aust. & N.Z.	0.1	-0.1	0.2	0.2	---	0.2	0.1	---	0.1	0.2	---	0.2	0.2	---	0.2	0.2	---	0.2	0.2	---	0.2				
South Africa	0.7	0.4	0.3	0.7	0.1	0.6	0.7	0.1	0.5	0.7	0.1	0.6	0.7	0.1	0.6	0.7	0.1	0.6	0.7	0.1	0.6				
Total	30.6	-4.8	36.3	34.2	-2.4	37.2	40.0	-1.0	38.9	33.5	5.7	38.1	38.0	-5.5	40.0	38.0	-5.5	40.0	38.0	-5.5	40.0				
Central Plan																									
East Europe	1.3	-1.2	2.5	1.5	-3.2	4.7	1.5	-3.4	4.9	1.5	-3.4	4.8	1.6	-3.5	5.1	1.6	-3.5	5.1	1.6	-3.5	5.1				
U.S.S.R.	4.5	---	4.5	4.4	-0.7	5.0	4.8	---	4.8	4.6	---	4.8	4.5	-0.4	4.8	4.5	-0.4	4.8	4.5	-0.4	4.8				
P.R. China	3.9	0.2	3.7	3.9	-0.3	4.2	4.1	0.1	4.0	3.9	---	3.9	4.3	---	4.3	4.3	---	4.3	4.3	---	4.3				
Total	9.7	-1.0	10.7	9.8	-4.2	13.9	10.4	-3.3	13.7	10.0	3.6	13.5	10.4	-3.9	14.3	10.4	-3.9	14.3	10.4	-3.9	14.3				
Less Developed																									
Mexico & Cent. Am.	0.8	-0.1	0.9	0.9	---	0.9	0.9	-4	1.3	1.0	-0.3	1.3	1.0	-0.4	1.4	1.0	-0.4	1.4	1.0	-0.4	1.4				
Brazil	1.8	1.1	0.7	4.2	3.1	1.1	5.9	4.7	1.2	7.5	6.2	1.3	8.0	6.5	1.5	8.0	6.5	1.5	8.0	6.5	1.5				
Argentina	1.0	0.8	0.2	1.0	0.6	0.4	1.0	0.5	0.4	1.0	0.5	0.4	1.1	0.6	0.5	1.1	0.6	0.5	1.1	0.6	0.5				
O.S. America	3.7	2.9	0.8	3.3	2.6	0.7	2.8	2.2	0.6	3.0	2.3	0.7	3.2	2.3	3.2	3.2	2.3	3.2	3.2	2.3	3.2				
North Africa	0.7	0.3	0.4	0.8	0.2	0.6	0.7	0.2	0.5	0.8	0.2	0.5	0.8	0.2	0.8	0.8	0.2	0.8	0.8	0.2	0.8				
Central Africa	2.1	1.4	0.7	2.3	1.1	1.2	2.1	1.0	1.1	2.3	1.1	1.1	2.3	1.2	2.3	2.3	1.2	2.3	2.3	1.2	2.3				
West Asia	0.7	0.1	0.7	0.9	---	0.9	0.8	---	0.8	0.9	---	0.9	0.9	---	0.9	0.9	---	0.9	0.9	---	0.9				
South Asia	4.2	0.7	3.6	4.0	1.0	2.9	4.8	0.8	4.0	4.6	0.6	4.0	4.6	0.7	4.1	4.6	0.7	4.1	4.6	0.7	4.1				
Southeast Asia	0.2	0.1	0.1	0.2	---	0.2	0.3	0.1	0.2	0.3	0.1	0.2	0.3	0.1	0.2	0.3	0.1	0.2	0.3	0.1	0.2				
East Asia, Pac.	1.5	---	1.5	1.7	0.2	1.5	1.9	0.2	1.7	2.0	0.1	1.8	2.0	0.1	1.9	2.0	0.1	1.8	2.0	0.1	1.9				
Total	16.7	7.3	9.6	17.3	6.8	10.4	21.2	9.3	11.8	23.3	10.8	12.4	24.6	11.3	13.1	24.6	11.3	13.1	24.6	11.3	13.1				
Grand total	57.0	1.5	56.6	61.3	0.2	61.5	71.6	5.0	64.4	66.8	1.5	64.4	73.0	1.9	67.1	73.0	1.9	67.1	73.0	1.9	67.1				
Grand total Less U.S.	31.6	-10.1	42.0	32.2	-14.8	47.7	37.2	-11.2	49.1	39.0	-11.7	49.3	40.9	-12.6	53.1	40.9	-12.6	53.1	40.9	-12.6	53.1				

1/ Oilseed meals include those from soybeans, cottonseed, peanuts, rapeseed, sunflower, linseed, sesame, copra, and palm kernels. Fishmeal data are adjusted by a factor of 1.5 to reflect its higher protein content, none of the other meals was converted.

2/ Preliminary.

3/ Partially forecast.

4/ Forecast.

5/ U.S. disappearance estimates include the effect of stock variations and are based largely on crop year estimates.

Table 15 - World edible oil production, net trade and availability (oil equivalent basis)
for 1969-71 average, 1975 preliminary 1974, forecast 1975 and 1976 1/

Country or regions	1969-71 Average			1973			1974 2/			1975 3/			1976 4/		
	Produc- tion	Net exports	Disap- pearance	Produc- tion	Net exports	Disap- pearance	Produc- tion	Net exports	Disap- pearance	Produc- tion	Net exports	Disap- pearance	Produc- tion	Net exports	Disap- pearance
Developed															
United States 5/	6.11	2.22	3.87	6.93	2.45	4.23	8.03	3.30	4.38	6.52	2.38	3.97	7.43	2.44	4.24
Canada	0.33	0.14	0.20	0.48	0.34	0.14	0.47	0.17	0.30	0.45	0.15	0.30	0.58	0.17	0.31
EC-9	0.79	-3.07	3.86	0.85	-3.51	-4.36	0.97	-3.53	4.50	0.90	-3.60	4.50	0.95	-3.65	4.60
O.W. Europe	0.82	-0.33	1.15	0.98	-0.31	-1.29	0.95	-0.42	1.37	0.90	-0.45	1.35	1.01	-0.30	1.40
Japan	0.03	-0.73	0.75	0.02	-0.90	-0.92	0.02	-0.85	0.87	0.02	-0.87	0.89	0.02	-0.92	0.94
Australia & New Zealand	0.02	-0.05	0.07	0.06	-0.04	0.10	0.04	-0.06	0.10	0.04	-0.06	0.10	0.05	-0.06	0.11
South Africa	0.12	0.03	0.09	0.11	0.00	0.11	0.21	0.06	0.15	0.17	0.05	0.12	0.18	0.05	0.12
Total	8.22	-1.79	9.99	9.43	-1.97	11.15	10.92	-1.33	11.67	9.10	-2.40	11.23	10.22	-2.36	11.72
Central Plan															
East Europe	0.90	0.02	0.88	1.03	-0.05	1.08	1.02	-0.02	1.04	1.02	-0.02	1.04	1.04	-0.02	1.06
U.S.S.R.	3.08	.49	2.57	2.66	.23	2.43	3.50	0.52	3.04	3.37	0.47	2.90	3.23	.23	3.00
P.R. China	1.38	.06	1.32	1.42	-.23	1.65	1.45	-0.11	1.56	1.40	-0.24	1.64	1.50	0.14	1.64
Total	5.36	0.57	4.77	5.11	-0.05	5.16	6.03	0.40	5.64	5.79	0.21	5.58	5.77	0.07	5.70
Less Developed															
Mexico & Cent. Am.	0.38	-0.16	0.55	0.42	-0.16	.58	.45	-0.13	0.58	0.46	-0.13	0.59	0.40	-0.20	0.60
Brazil	0.68	0.04	0.64	1.21	0.44	0.77	1.61	0.53	1.08	1.96	1.01	0.95	2.15	1.06	1.09
Argentina	0.41	0.10	0.31	0.50	0.16	0.34	0.51	0.11	0.40	0.48	0.10	.38	.50	.10	.40
O.S. America	0.24	-0.13	0.36	0.26	-0.19	0.45	0.35	-0.13	0.48	0.38	-0.12	0.50	0.40	-0.12	0.52
North Africa	0.48	-0.15	0.62	0.65	-0.17	.82	0.52	-0.19	.71	.65	-.19	.84	.55	-0.20	.75
Central Africa	2.59	0.96	1.62	2.86	0.68	2.12	2.60	0.50	2.10	2.85	0.70	2.15	3.10	0.85	2.25
West Asia	0.47	-0.23	0.70	0.58	-0.45	1.03	0.62	-0.48	1.10	0.68	-0.50	1.18	0.70	-0.55	1.25
South Asia	2.45	-0.13	2.58	2.19	-0.23	2.42	2.78	0.20	2.98	2.54	-0.24	2.78	2.84	-0.20	3.04
South east Asia	0.13	-0.01	0.14	0.16	-0.03	0.19	0.18	-0.01	0.19	0.19	-	0.19	0.19	-	0.19
East Asia, Pac.	2.51	1.24	1.27	3.21	1.90	1.31	3.32	1.83	1.49	3.62	2.03	1.59	3.92	2.23	1.69
Total	10.34	1.57	8.79	11.98	1.95	10.08	12.94	1.83	11.11	13.81	2.56	11.15	14.75	2.97	11.78
Grand total	23.92	0.45	23.55	26.52	-0.07	26.39	29.89	.90	28.42	28.70	0.37	28.23	30.74	0.68	29.20
Grand total Less U.S.	17.81	-1.77	19.68	19.59	-2.38	22.16	21.63	-2.40	24.04	22.18	-2.01	23.99	23.31	-1.76	24.96

1/ Includes soybean oil, cottonseed oil, peanut oil, sunflower oil, sesame oil, coconut oil, palm oil, palm kernel oil, and olive oil.

2/ Preliminary.

3/ Partially forecast.

4/ Forecast.

5/ U.S. disappearance estimates include the effect of stock variations.

In 1976, vegetable oil production is forecast to increase approximately 2 million tons, with the United States accounting for nearly half the gain. Central Africa and South Asia also will have more peanuts, and East Asia more palm oil and coconut oil. The major production decline is expected to occur in the Soviet Union due to lower sunflower production in 1975.

World disappearance of vegetable oil in 1976 is forecast to increase about 1 million tons. The bulk of that increase (approximately 25 percent) will arise in the United States. However, the forecast 1976 level is expected to remain below the record 1974 level in the United States. Most other regions are forecast to have small increases in domestic disappearance in 1976. (Arthur Coffing)

CATTLE SLAUGHTER INCREASING

Drought-induced slaughter in Australia during the second quarter of 1975 brought beef prices down to their lowest point since the beginning of the downtrend in late 1973. Since returns have become critically low, producers and processors are pressing for financial assistance from the government. Some animals are being abandoned on the range because their market value does not cover slaughter and handling costs. Slaughter rates for 1975 are running higher than last year. Exports of beef and veal to the United States were up 45 percent during January-July 1975 over the same period in 1974. This accounts for 187,000 tons out of a 279,000-ton quota for the whole year for Australian beef to the United States. Australian exports to the whole world totaled 324,000 tons during the first half of 1975, up 60 percent over last year. The increase—occurring with strict limitations on beef and veal imports by Japan, the European Community, and the United States—reflects an expansion of shipments to Asian and Middle Eastern countries. In seeking diversification of export markets, Australia requires the export of two tons to other destinations for every ton shipped to the United States.

Price developments in Argentina are seriously hurting livestock producers and marketers. While inflation has picked up and retail prices are doubling annually, prices received by producers for cattle are rising much more slowly. The purchasing power from livestock sales under current conditions, adjusted for general inflation, is dropping sharply. This process, reflected in a newly announced policy of more frequent devaluations of the Argentina peso, is intensifying the decline in international prices for Argentina beef. Prices of breeding stock have declined to the levels of good slaughter cattle. Some reports indicate that a reduction of Argentina's large cattle herd may be in process. Though weather is good for livestock and prices are poor, beef production is high. Beef consumption is high and rising toward peak per capita levels. Exports, however, are severely limited. Argentina's best traditional customer, the European Community, banned beef imports during the last part of 1974 and is importing only token amounts in 1975. Shipments of cooked, frozen beef to the United States bulged in 1974.

Beef and veal production in the European Community in 1975 is expected to run at

approximately the 6.6-million-ton level of 1974, with prospects for 1976 to continue nearly the same. Significant imports have been essentially eliminated by the operation of the EC agricultural and foreign trade system and by meat prices forced above world levels by purchases effected by official agencies. By this method, domestic consumption of meat has been held to that from local production, without imports, except for token amounts under GATT. A small amount of beef was permitted to be imported from non-EC countries (50,000 tons for the period June through September), provided offsetting amounts of beef were exported.

In the United States, fed cattle marketings this year are declining to the lowest levels in several years, reflecting the cost-price squeeze of the previous year and a half. Total cattle slaughter is exceeding levels of last year by 10 percent or more, but lower average carcass weights are holding down increases in total beef production. This development reflects a shift away from concentrate feeds and rapid production systems to stronger reliance on grass—range, pasture, and hay. Pork supplies are also down sharply and broiler output is less than a year ago. Meat production is expected to lag year-earlier levels for the rest of 1975. Retail beef prices rose to record levels this summer and slaughter steer prices recovered to 1973 levels. Feeder steer prices, however, continue near depressed year-earlier levels, reflecting continued high feed costs and record supplies of feeder cattle.

U.S. imports of meat are monitored under the Meat Import Law through a procedure whose effect is to permit imports to grow at the same rate that U.S. production of such meat grows. The meats subject to the Meat Import Law are fresh, chilled or frozen, beef, veal, mutton, and goat meat. In 1974 such imports totalled 489,000 tons, down 19 percent from 615,000 tons in 1973 which was the same as 1972. Imports for 1975 under the quota law are expected to reach 535,000 tons, up 9 percent from 1974.

U.S. meat trade with Canada is approaching normalization. Quotas had been imposed by both countries in recent years which affected trade in livestock products. These have been dismantled on both sides except for beef and veal. In other times the United States has exported high quality fed beef to

Table 16 --Milk deliveries in 1974 and comparison in percentage change with the same months of the preceding year 1/

Country, region	1974 Quantity : 1,000 Metric tons	1974/73 Change				1975 Forecast			
		:	:	:	:	:	:	:	:
		May	June	July	January/July	Percent			
United States	52.4	---	-1	-1	0				
Canada	7.5	+5	+5	+4	+2				
EC-9									
Belgium	2.7	+2	-3	-1	-2				
Luxembourg	0.2	+6	-1	-1	-3				
France	29.5	+1	+2	+3	+1				
Germany	21.5	+1	-1	-1	-3				
Italy	8.8	-2	+1	+2	+1				
Netherlands	9.8	+5	+2	+2	+2				
Denmark	4.6	+2	+1	0	-1				
Ireland	2.7	-5	+8	+8	+8				
United Kingdom	13.5	-3	-3	-3	-2				
OME									
Finland			-3	-1	-2				
Iceland	0.1	+3	---	---	0				
Norway	1.7	---	+1	+1	+1				
Sweden	3.0	+4	+1	-2	-1				
Austria	2.1	---	+1	+1	0				
Switzerland	2.8	-2	+1	+2	-1				
Greece			---	---	+4				
Spain									
Portugal			---	---	---				
USSR	91.8	+4	---	---	---				
Eastern Europe 2/ 4/	41.0	+2	---	---	+2 3/				
Japan	4.9	-1	---	---	+1				
Australia	6.6	-11	+1	+2	0				
New Zealand	5.0	-4	+22	+25	+10				
Total									

1/ Figures subject to revision.

2/ For USSR and Eastern Europe figures are for production not deliveries.

3/ Socialized sector only.

4/ Includes Romania, Czechoslovakia, East Germany, Hungary, Poland, Bulgaria and Yugoslavia.

Source: OECD Situation and Prospects, AGR/WP3 (75) 9 July 1975 for the USSR and Eastern Europe Foreign Demand and Competition Division/Economic Research Service.

Canada, which exported manufactured beef to the United States.

U.S. trade with Mexico seems to reflect more long-run developments. As Mexico grows in scale and

affluence, locally produced beef is increasingly needed at home. There has been a noticeable decline in the number of feeder cattle moving into the United States from Mexico. (Donald W. Regier)

MILK OUTPUT UP SLIGHTLY

Milk Products

Milk production in the major producing countries in the first half of 1975 is estimated at about one percent above the 1974 level (table 16).

In the United States milk production was down slightly in the first half of the year, but may recover sufficiently in the next few months to reach year-earlier levels for all of 1975. Canada has experienced a recovery in recent months and is averaging about 2 percent above the previous year.

Production in all of Western Europe, and specifically in the EC, showed little change on the average. Increased production in France, the Netherlands, Italy, Ireland, Norway, and Greece was offset by decreases in other European countries.

Output in Oceania is seasonally low, but New Zealand has had a substantial gain over 1974.

Dairy Product Output

Cheese production in the United States for the first half of 1975 was about 9 percent less than for the first half of 1974. In Canada, production was down 2 percent and in recent months was 6 to 8 percent below 1974.

Total cheese production in the EC rose by a little more than two percent for the first half of the year, but fell to just over 1 percent in the last quarter. In contrast with other major producers, New Zealand

and Australia have increased cheese production substantially over 1974.

Butter production during the first half of 1975 was up by about 11 percent in both Canada and the United States, and 21 percent in New Zealand. The other major producing countries had small changes, but on the average were about the same as a year earlier.

Large and increasing surpluses of nonfat dry milk are a new and serious problem for the major dairy producing countries.

A year ago a substantial short-term import demand by the United States brought in to focus a tight world supply situation. That phenomenon is now reversed. Currently the United States has surpluses, and the Western markets are approaching an all-time high stock situation with nearly 2 years worth of net exports available.

As is consistent with surplus problems in the world dairy industry, the European Community is the focal point of the problem. Production in the EC is up, exports and animal feeding are down, and intervention stocks are increasing rapidly. For example, for the first 6 months of 1975 exports from France (the largest exporting country) dropped nearly 60 percent and the Netherlands reported a 36-percent decline. The situation is critical and many proposals are being suggested to ameliorate the problem, but solutions are expensive and agreement within the Community will probably be slow in coming. (Thomas Twomey).

SUGAR: AN UNCERTAIN MARKET

Estimates of 1975/76 world sugar production are still very preliminary. Earlier estimates of increases of 3 to 5 million tons for a world total of 82 to 84 million tons (raw value) would mean output 4 to 5 percent above last season and, at minimum, would be in line with the 1959/60-73/74 trend (figure 10 and table 17). However, recent reports on weather damage suggest a cautious outlook. Production in 1974/75 is still estimated at 79.2 million tons, almost 2 percent below the prior season and 1.2 million tons below trend.

Sugar output in the United States is expected to be 12 to 15 percent above last year's 5.4 million tons, due to a 24-percent expansion in sugarbeet acreage and 6 percent in sugarcane (table 18).

The European beet harvest, however, could be 8 percent greater, because drought followed by floods

have led to lower sugar yields. As a result, output in the EC may not be much more than 10 million tons

Table 17—World Sugar Production and Trend Estimates

Year	Centrifugal sugar production (raw value)		
	Actual production	Trend production ¹	Deviation from trend
Million metric tons			
1970/71	70.5	72.0	-1.5
1971/72	70.6	74.1	-3.5
1972/73	75.4	76.2	-0.8
1973/74	80.7	78.3	2.4
1974/75	79.2	80.4	-1.2
1975/76	² 82-84	83.5	—

¹ Trend based on 1959/60-1973/74. ² Forecast.

Table 18.--World centrifugal sugar production, trade and consumption

Country or Region	1964/65-1968/69			1972/73			1973/74 1/			1974/75 1/		
	Production	Net exports	Consumption	Production	Net exports	Consumption	Production	Net exports	Consumption	Production	Net exports	Consumption
	1,000 Metric tons, raw value											
North America	15,806	2,143	13,755	17,215	1,408	15,555	17,356	1,872	17,199	2,201		
Canada	139	-841	1,022	146	-900	1,212	114	-900	101	-1,056		
United States 2/	4,969	-4,094	9,653	6,048	-4,718	10,501	5,378	-4,742	5,404	-5,100		
Cuba	5,163	4,969	596	5,250	4,140	464	5,800	4,797	5,500	5,300		
Dominican Republic	723	588	1,142	1,142	1,099	156	1,194	1,031	1,170	1,048		
Mexico	2,301	460	1,665	2,770	577	2,295	2,835	490	2,900	650		
Other North America	2,511	1,061	700	1,859	1,210	927	2,035	1,196	2,124	1,359		
South America	7,904	1,779	5,848	10,646	3,148	7,830	12,043	3,575	12,528	4,100		
Argentina	991	74	879	1,294	167	958	1,650	469	1,532	478		
Brazil	4,356	968	3,107	6,164	2,054	4,266	6,960	2,376	7,400	2,700		
Other South America	2,557	737	1,862	3,188	927	2,606	3,433	730	3,596	922		
West Europe	9,382	-2,889	13,299	11,412	-1,526	15,162	12,088	-1,418	10,980	-2,685		
EC	7,982	-1,717	10,097	9,595	-399	11,116	10,289	-342	9,294	-1,286		
Other West Europe	1,400	-1,172	3,202	1,817	-1,127	4,046	1,799	-1,076	1,686	-1,399		
East Europe	4,906	91	4,191	4,911	-283	5,212	5,108	-304	4,866	-1,291		
U.S.S.R.	9,560	-853	9,403	8,075	-1,860	11,200	9,531	-2,587	7,730	-3,400		
Africa	2,633	442	2,702	3,530	-157	3,767	3,823	-157	3,636	-142		
South Africa Republic	1,426	734	825	1,915	1,168	1,068	1,732	892	1,883	855		
Asia	10,790	-2,230	12,808	14,632	-3,130	17,909	16,078	-3,081	17,053	-3,051		
P.R. China	1,441	-157	2,679	2,457	-593	3,800	2,630	-581	2,600	-600		
India	3/ 3,551	233	2,800	3/ 4,572	249	3,827	3/ 4,950	487	3/ 5,800	800		
Japan	361	-1,913	2,289	650	-2,777	3,294	653	-2,580	491	-2,674		
Philippines	1,559	970	622	2,425	1,240	800	2,644	1,475	2,745	1,847		
Oceania	2,647	1,787	858	3,110	2,109	982	2,943	2,173	3,281	2,515		
Australia	2,290	1,636	683	2,735	2,010	778	2,593	2,100	2,921	2,215		
World Total	65,054	520	63,689	75,446	877	78,685	80,704	965	79,156	-898		

Note: --Means zero or negligible. The difference between production and consumption is not equal to change in stocks because of differences in reporting methods, sugar in transit, and reporting lags. World net exports do not equal zero because of statistical discrepancies.

1/ Consumption data by country are not yet available for publication. Production in 1973/74-1974/75 and trade in 1973/74 are preliminary. Trade data for 1974/75 are forecasts.

2/ Includes Hawaii.

3/ Includes Khandasari.

Source: Production and trade, Foreign Agriculture Service; consumption, International Sugar Organization.

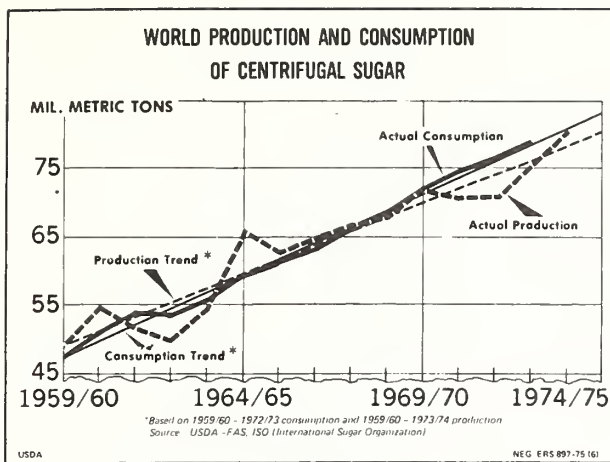


Figure 10

versus the earlier forecast of 10.7 million tons. USSR sugar output, affected by dry weather in June and July, is estimated at about 9 million tons, which would be one-sixth above last year's 7.7 million tons,

but short of both the planned output of 10.2 million tons and the 9.5 million tons produced two seasons ago. Both Brazilian and Argentine crops will be lower than last season because of frost damage. Sugar exports for both countries will decrease in the 1975/76 season.

Consumption of sugar proved to be more price-sensitive during the 1974/75 season than was presumed; it is estimated to have increased less than 500,000 tons. Since 1970/71, world sugar consumption has exceeded production in every year except 1973/74. Ending stocks as a percent of consumption has declined from 29 percent to 19 percent in the 5-year period, making the sugar market highly sensitive to even marginal supply or demand developments. Consumption for 1975/76 based on trend would be about 84.5 million tons but is forecast at 82 to 83 million tons, closely in balance with production.

The price of U.S. raw sugar (New York spot) dropped from the November monthly high of over 57 cents per pound to about 16 in June 1975, but moved up to the low 20's in midsummer and has declined to around 18 cents in early September. (Robert D. Barry)

WORLD COTTON CONSUMPTION INCREASES⁵

On the basis of an expected resurgence of economic activity, world cotton consumption in 1975/76 is forecast to increase about 3 percent to 60 million bales from 1974/75 (figure 11 and table 19). World cotton production, however, is expected to decline to an estimated 58.5 million bales as excess stocks are worked off. If so, cotton consumption in 1975/76 would exceed production for the first time since the 1970/71 season. Cotton stocks totaled 22 million bales in 1970/71, about 39 percent of consumption; but by 1974/75, stocks had climbed to 25.5 million bales or 44 percent of consumption. As of August 1975, stocks were 30 million bales or about 50 percent of consumption estimated for the current season.

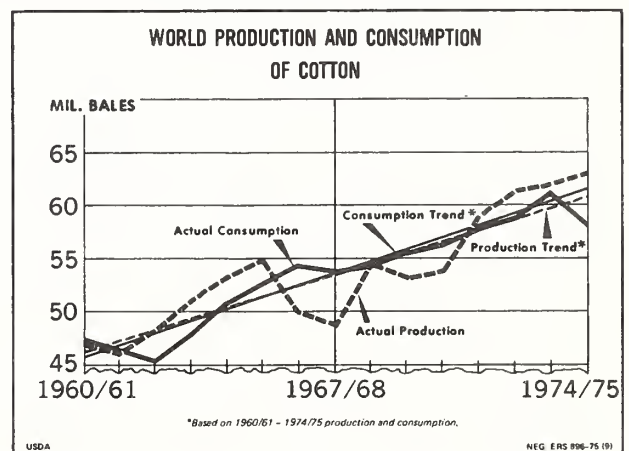


Figure 11

Table 19—World cotton production and consumption and trend estimates

Year beginning August 1	Production		Consumption	
	Actual	trend	Actual	Trend
	Million bales ²	Million bales ²	Million bales ²	Million bales ²
1969/70-1971/72				
-Average	55.4	57.2	56.5	56.5
1972/73	61.5	59.5	59.1	58.7
1973/74	62.3	60.6	61.2	59.7
1974/75	63.1	61.7	58.3	60.8
1975/76	³ 58.5	62.8	³ 60.0	61.8

¹ Trend based on 1960/61-1974/75. ² Bales of 480 pounds net weight. ³ Forecast.

The price of U.S. SM 1-1/16" cotton (cif Northern Europe) averaged about U.S. 65 cents a pound in 1973 and 67 cents in 1974, before slipping to 51 cents in January of 1975. With the improved outlook, the price moved up and now stands at about 65 cents per pound.

⁵Quantities of cotton are given in this section as bales of 480 pounds net weight, unless specified as running bales, for certain U.S. export data, which weigh on the average something in excess of 480 pounds net.

Production

World cotton production has increased steadily since 1969/70, reaching a peak of 63 million bales in 1974/75. This year a decline of about 7 percent is predicted. U.S. output is expected to fall 19 percent to an estimated 9.3 million bales, which would be the smallest U.S. crop since 1967 (table 20). Output in the rest of the world will probably be about 5 percent less than last season. Foreign noncommunist production appears likely to decrease 10 percent from 28.7 to 25.9 million bales, mostly in the exporting countries. Mexico's cotton crop will fall about 50 percent; Central America, 15 percent; and Turkey, 20 percent. Cotton production in communist countries, which is less vulnerable to world business fluctuations, should increase slightly from 22.9 to 23.1 million bales. USSR production is expected to be no less than in 1974. Beginning stocks relative to consumption in 1974/75 were 26 percent in the communist countries, 66 percent in the United States, and almost 90 percent in the foreign noncommunist countries.

Consumption

World cotton consumption in 1975/76 is guardedly forecast at about 60 million bales, a gain of at least 1.7 million over 1974/75. U.S. cotton use is forecast at 800,000 bales greater than this past season, within a range of 6.5 to 7.0 million bales. In foreign noncommunist countries, the trend consumption for 1975/76 would be about 29.5 or approximately the same as in 1974/75; but a more probable figure is about 30.5 million. In communist countries, consumption is expected to approximate the trend rate of increase of close to 700,000 bales for a total figure of 24 to 24.5 million bales.

Trade

The anticipated increase in world cotton consumption should stimulate world trade, but because of heavy carryover stocks, cotton exports are predicted at only about 1 million bales above 1974/75's 17-million-bale volume, supplied mainly from foreign noncommunist exporting countries. This past season's export volume has been the lowest in a number of years, far below the peak of 20.6 million bales in 1972/73.

U.S. exports in 1974/75 totaled 3.9 million 480-pound bales (3.7 million running bales), 35 percent below the near-record shipments of 6.1 million in 1973/74. The drop in U.S. exports represents about 80 percent of the total decline in world exports between 1973/74 and 1974/75. The U.S. share of world trade is now about 23 percent compared with the uncommonly high 31 percent for 1973/74. U.S. cotton exports to China showed the biggest reduction, over 500,000 running bales, or 65 percent from the prior season (table 21), largely the result of a decline in China's textile exports and also greater self-sufficiency resulting from the last two good cotton crops. U.S. cotton exports to Japan fell off 355,000 running bales (27 percent), and sales to East Asian countries (South Korea, Hong Kong, Taiwan, Philippines and Indonesia) were down a total of 729,000 running bales (37 percent). U.S. cotton exports have shown great variability over the years; the 1960-74 trend line, however, indicates a slight decrease in U.S. exports over time and would project 3.9 million bales for 1975/76, the same as last season. The current U.S. export forecast is in a range of 3.8 to 4.3 million bales; actual exports will be greatly contingent on stock policies in the foreign noncommunist countries and on the extent of world economic recovery. (*Robert D. Barry*)

Table 20.--Cotton production, exports, imports and mill consumption in selected countries and regions, 1972/73-1975/76 1/

Country and Region	Production		Exports		Imports		Mill consumption	
	1972/73 : 2/	1973/74 : 2/	1974/75 : 2/	1975/76 : 2/	1972/73 : 2/	1973/74 : 2/	1974/75 : 2/	1975/76 : 2/
	Million bales 3/							
United States	13.7	13.0	11.5	9.3	5.3	6.1	3.9	---
USSR	11.2	11.8	12.9	13.0	3.0	3.3	2.9	---
China, People's Republic	8.2	9.9	9.9	9.9	---	0.1	0.2	0.8
India	5.4	5.5	5.6	5.6	0.2	0.2	1.0	1.8
Pakistan	3.2	2.9	3.0	3.2	0.8	0.2	1.0	0.4
Brazil	3.0	2.7	2.4	2.5	1.3	0.7	0.2	---
Egypt (UAR)	2.4	2.2	2.1	2.0	1.4	1.2	0.5	---
Turkey	2.5	2.4	2.3	2.2	1.5	1.0	1.1	---
Mexico	1.8	1.5	1.4	1.2	0.9	0.7	0.8	---
Central America 4/	1.2	1.6	1.4	1.2	1.1	1.1	1.5	---
Sudan	0.9	1.1	0.9	0.9	1.1	0.8	0.8	---
EC-9	---	---	---	---	---	---	---	---
Eastern Europe 5/	0.1	0.1	0.1	0.1	---	---	---	---
Japan	---	---	---	---	---	---	---	---
Hong Kong	---	---	---	---	---	---	---	---
Taiwan	---	---	---	---	---	---	---	---
Korea, Republic of	---	---	---	---	---	---	---	---
Other countries	7.9	7.5	8.2	7.4	4.0	4.2	4.0	4.1
World total	61.5	62.2	63.1	58.5	20.6	19.6	17.0	20.7
						20.0	16.8	59.1
								61.2
								58.1

Note: --- = Less than 500 bales. Individual items may not precisely add to totals because of rounding.

1/ Years beginning August 1.

2/ Preliminary and subject to revision.

3/ Bales of 480 lbs. net weight.

4/ Includes Guatemala, El Salvador, Honduras, Nicaragua, and Costa Rica.

5/ Includes East Germany, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Yugoslavia, and Albania.

Source: Foreign Agricultural Service.

Table 21.--U.S. cotton exports by destination, 1969/70-1974/75 1/

Country	Average 1968/69- 1972/73	1972/73	1973/74	1974/75
	----- 1,000 running bales 2/ -----			
Japan	753	1,039	1,312	957
China, People's Republic of	108	541	822	289
Korea, Republic of	491	572	722	628
China, Republic of (Taiwan)	300	356	542	384
European Community	(439)	(699)	(414)	(312)
Italy	92	172	124	98
Germany, West	75	177	101	52
France	71	141	81	65
United Kingdom	66	88	60	38
Other EC	135	121	48	59
Hong Kong	138	193	356	73
Canada	228	249	258	186
Indonesia	194	203	223	72
Philippines	136	153	154	111
Bangladesh	23	114	92	48
Romania	44	72	89	44
Switzerland	40	86	78	58
South Vietnam	101	124	65	29
Spain	35	107	35	58
Poland	51	58	30	22
India	149	---	---	---
Others	265	441	554	475
Total	3,495	5,007	5,746	3,746

Note: --- = less than 500 bales.

1/ Years beginning August 1.

2/ Export bales were, on the average, packed heavier than 480 lbs. net, so the total number of bales shown here does not agree with the net weight bales shown in table

Source: Foreign Agricultural Service.

OUTLOOK CONFERENCE SCHEDULED FOR NOVEMBER 17-20

The 1976 outlook for U.S. agriculture, the general economy, inputs, and foreign agricultural trade will receive particular attention at the National Agricultural Outlook Conference to be held at the U.S. Department of Agriculture's (USDA) Jefferson Auditorium in Washington, D.C. from Nov. 17 through 20. The Conference, sponsored by USDA's Economic Research Service and Extension Service, will also feature presentations and panel discussions by leading authorities in agriculture and business on commodities and family living concerns.

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